

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID/SOUTH AFRICA



SUSTAINABLE TRANSFORMATION IN
SOUTH AFRICA

CONCEPT PAPER

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SUSTAINABLE TRANSFORMATION IN SOUTH AFRICA
A Concept Paper

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B

ACRONYMS

ANC	African National Congress
API	Assessment of Program Impact
AOJ	Administration of Justice
CAAA	Comprehensive Anti-Apartheid Act
CPSP	Country Program Strategic Plan
DFA	Development Fund for Africa
DOH	Department of Health
EU	European Union
FSN	Foreign Service National
GDP	Gross Domestic Product
GNU	Government of National Unity
GATT	General Agreement on Trade and Tariffs
HBCU	Historically Black Colleges and Universities
HG	Housing Guaranty
HDI	Historically Disadvantaged Institutions
IFP	Inkatha Freedom Party
MERIT	Monitoring Evaluation Reporting Information Transfer
MOJ	Ministry of Justice
MSMEs	Micro-Small-Medium-Enterprises
NP	National Party
NPI	New Partnership Initiative
NGO	Non-Governmental Organization
PHC	Primary Health Care
PO	Program Outcomes
PVO	Private Voluntary Organization
RDP	Reconstruction and Development Program
SMEs	Small-Medium Enterprises
SO	Strategic Objective
SOs	Strategic Objectives
TA	Technical Assistance
UNDP	United Nations Development Program
UNESCO	United Nations Education Scientific Committee
UNICEF	United Nations Children's Fund

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EXECUTIVE SUMMARY

I. LONG-TERM CHALLENGES IN SOUTH AFRICA

USAID/South Africa has shaped its future assistance program around support for the Government of National Unity's (GNU) Reconstruction and Development Program (RDP) and four long-term challenges facing South Africa:

Democratic Consolidation. Supporting the country's efforts to consolidate democracy and improve the quality of governance. This involves working with government and civil society in making the new democratic institutions viable and secure, making a successful transition to full majority rule in 1999, and making the public service more representative and effective as a vehicle for implementing the RDP.

Equity of Services. Encouraging sufficient progress on improving services to the disadvantaged population in education, health, housing, and other areas so that popular expectations are not fundamentally disappointed. Detailed studies of public opinion in the disadvantaged population indicate that "people in the street" do not have unrealistically high expectations. However, the GNU does have to demonstrate visible progress on basic services delivery if it is to maintain long-term political support. This means that the GNU will have to achieve a higher, sustained pace of delivery than the RDP has achieved to date.

Economic Reform. Supporting the development of consensus and analytical/implementation capacity on economic policy and regulatory changes to achieve higher, sustained economic growth. Current growth of approximately 3 percent per year is not sustainable without significant structural reform and is not enough to reduce South Africa's high unemployment, which is concentrated in the majority population. However, this will require difficult changes over a period of years. These changes will not be easy for a new government to lead.

Broadening Asset Ownership. Encouraging expanded participation in the private sector and ownership of businesses, houses, and other assets by the disadvantaged majority so that the benefits of growth are spread more equitably within South African society. If a political base for market-oriented economic policies is to be built and maintained in a country with South Africa's tremendous inequality and legacies of exclusion, it is essential that economic access and participation be expanded.

II. USAID PROGRAM CHANGES SINCE THE ELECTION

The USAID program in South Africa has changed significantly since the 1994 election and the inauguration of the GNU (which ended the earlier U.S. prohibition on working with Government or Government-funded entities). New or redirected program areas include:

Democracy/Governance: new post-elections party training; training for legislators; a new administration of justice program with the Ministry of Justice; increased emphasis on violence prevention; and a new public administration/governance program (focused on the new provinces).

Education and Health: support to the National RDP Office and to provinces on education policy and institutional changes; support to historically disadvantaged universities and technikons; two major bilateral agreements planned with the GNU on basic education policy and delivery models; and a new health project begun with the GNU to develop and demonstrate a model of sustainable primary health care in Eastern Cape Province.

Economic Development: expanded support for local research on economic policy issues; intensified support for black¹ business organizations trying to influence the regulatory environment; new work with the GNU on the enabling environment for small and medium enterprises; and work with the national Ministry of Housing and several provinces on maximizing the role of the private sector in increasing access to capital for provision of housing and urban services.

III. FUTURE USAID PROGRAM

Since the advent of the GNU, USAID/South Africa has worked to ensure that our future assistance will be fully supportive of the RDP. Based on (a) extensive dialogue with the GNU at various levels, (b) extensive coordination with other international donors in various fora, and (c) careful joint review and assessment of our past assistance activities with the non-governmental organizations and private sector communities, we believe that the overall goal of the USAID program over the next ten years should be sustainable transformation. Sustainable transformation means:

Assisting South Africa through the point where democracy is sufficiently consolidated, basic systems and policies for social service delivery are in place, processes of institutional change and the development of management and technical capacity are far enough along so that there is reasonable confidence that

¹ "Black" is used in this paper to refer collectively to South African individuals of African, Colored, or Asian (Indian) descent. These groups which comprise the majority population are also referred to as "historically disadvantaged" by apartheid or the underserved population.

South Africa's majority population is on a course to sustainable political, economic, and social development.

Sustainable transformation does not mean the actual attainment of that development.

In the area of social service delivery, for example, sustainable transformation would encompass U.S. support for putting policies, institutions, and participatory mechanisms in place, so that an adequate foundation is laid for future delivery. It would not include actual social services delivery. In education, the measure of success would not be whether all historically disadvantaged children are receiving a certain level of education, but whether the government has achieved reasonable development of, and consensus on, education policies and program directions and has made enough progress on consolidating and reforming institutions that the basic structures are in place for meeting the education needs of the majority population over time.

A vital element of transformation is increasing participation and empowerment of the majority population -- the sub-goal of future USAID assistance. Apartheid was a top-down system in which most aspects of life of the majority population were decided by the minority government. The GNU does not just want to change the faces of government leaders making decisions for the people, but to include the people in decision-making so that they can ensure government programs are responsive to their needs, hold the government accountable for performance, and add their own energies and involvement. For example, in education this means that parents will be involved in influencing and overseeing local education, community school boards will play a role, NGOs will make inputs into national education policy, etc. In the private sector, participation and empowerment means that disadvantaged South Africans will have more power as entrepreneurs and owners of business assets, more access to capital, more home ownership, etc.

The role of foreign assistance under this concept is not to become a principal driver of development, but to provide supplementary help that catalyzes and supports internal processes. Where such assistance supports services delivery, it is as a means to the end of policy or system change. For example, USAID's proposed health project will help develop a primary health care system in one province of South Africa to serve as a model for the country. This project includes some delivery of services only to demonstrate the model and help ensure credibility.

Why should USAID target this intermediate goal of getting policies and systems in place, but stop short of actual delivery on a substantial scale? First, we believe this approach is consistent with the nature of South Africa's development problems. More than short-term transition support is needed because of the level of social and economic need in the majority population, the long-term nature of South Africa's development challenges, and the difficulties the GNU faces in satisfying expectations. However, South Africa's internal resources and relatively high income level (compared to long-term aid recipient countries in Africa and elsewhere in the world) argue against USAID support for actual delivery. Second, we believe that USAID assistance can have an unusually high impact as a catalyst

and support for change if we restrict our interventions to investments in policy development, building institutional capacity, and fostering participation in key areas where there is a match between South African needs and USAID capabilities. Third, the nature and levels of funding of other large donors, such as the European Union, World Bank, and the Japanese, are more appropriate for long-term financing of infrastructure and service delivery.

Program strategic principles that will guide development and implementation of the future USAID assistance include (a) participation, (b) sustainability, (c) appropriate linkages with USAID regional and global initiatives, and (d) measuring for results. We have applied and will continue to apply various mechanisms to ensure that participation is broad and effective. This will help ensure that our program contributes to sustaining the transformation and development process. In an era of declining Agency resources, participation and sustainability as applied to the South Africa program can best be supported from a perspective of reliance upon and contribution to the broader spectrum of Agency resources and programs. This includes helping to leverage South Africa's participation as an effective partner in regional and global initiatives where it has relevant expertise. Finally, USAID/South Africa respects the critical need to develop the tools required to ascertain the results/impact of our program. In addition to implementing a rigorous results tracking strategy, we are also coordinating closely with the GNU in its commitment to performance management and monitoring.

IV. FOUR STRATEGIC OBJECTIVES

In developing proposals for a future program, we considered GNU plans under the RDP, areas important for sustainable transformation, the Mission's experience and comparative advantage, and what we thought we could realistically aim to accomplish within reasonable bounds of program duration and funding levels. This led us to focus on four strategic objectives (SOs) in the following areas:

SO 1. Democracy/Governance. Help consolidate democratic governance -- elections, parties, parliament, human rights/administration of justice; reduce and mitigate violence; and strengthen civil society; and support reform of the public service to make it more representative and effective (particularly in RDP implementation in the provinces).

SO 2. Education. Support the development of new policies, systems, and capacities for the integration of the education system -- disseminate models in basic education; assist historically disadvantaged institutions of tertiary education (HDIs, universities and technikons) to build faculty capacity, establish "centers of excellence" in specific areas, and improve the quality of education; and fund short-term and degree training in the U.S. and in South Africa.

SO 3. Economic Development. Help increase opportunities for access and ownership of assets while supporting the necessary overall economic growth and development -- exposure to outside ideas on economic policy; assist disadvantaged South Africans to

increase ownership, access capital, and participate in private business; and help to demonstrate new private sector-based models of housing delivery, housing finance, urban infrastructure development, and urban finance.

SO 4. Health. Support the development of a unified system to provide integrated primary health care services to underserved populations. USAID/SA's new health sector initiative focuses on providing support to the GNU to restructure and rationalize the present health care system to ensure equitable access to essential health care services for all South Africans.

Consistent with the above strategic objectives, USAID/South Africa will support the objectives of the Binational (Gore-Mbeki) Commission to the fullest extent possible. Particular emphasis will be placed on support to the Human Resource Development and Education Committee which is co-chaired by the USAID Administrator. A number of possible activities are under active consideration with the GNU. More limited assistance is being considered in support of the objectives of the Sustainable Energy Development Committee (co-chaired by the Deputy USAID Administrator) in concert with our planned Housing Guaranty support to municipal and environmental development beginning in FY 96. Finally, USAID/South Africa is proposing broad assistance to the GNU to help ensure that its various elements have the resources to engage actively with U.S. counterparts in the development of viable programs. This final element of USAID/South Africa's support to the Binational Commission will be accomplished with the support of USIS/South Africa.

SO 1. Democracy and Governance

Democratic consolidation is important both as an end in itself and as a support to sustainable development. As noted above, a wide range of institutional and cultural changes are required to consolidate democracy and expand access. The Mission has a long history of promoting civil society and human rights development in South Africa through local NGOs. We plan to build on this experience to support electoral systems development, strengthening of political parties, a human rights culture, a more equitable justice system, NGO integration into GNU service delivery, and a strong civil society. NGOs will play a key role in many of these areas. For example, the Mission's new Administration of Justice program relies heavily on NGOs as implementers in direct support of GNU activities. While many of these areas involve assistance to the GNU, some are directed at supporting civil society as a balance to, and check on, the GNU. Examples of the latter are support to NGOs for monitoring government performance, providing information to the public, and protecting human rights. Planned governance programs will not just address general good governance, but the specific transition problems of (1) helping to transform the public service so that it is better equipped to implement the RDP, and (2) helping to make the public service more representative. Governance assistance will be provided in two areas: (1) assistance in training, policy, and systems at the provincial level; and (2) increasing and strengthening the implementation capacity of technical ministries at the national level in education, health, housing, and other areas. USAID governance activities will complement USAID programs in the social sectors by increasing governmental delivery capacity.

SO 2. Education

Education is one of the RDP's top priorities and a key to sustainable economic growth and development. One of the lessons of international development experience is the strong linkage between education (especially basic education) and long-term growth. This linkage is particularly strong in South Africa, where shortage of skilled labor and poor basic education standards among the majority population are major obstacles to economic growth.

The Mission has long and substantial experience in this sector -- roughly 40 percent of past USAID assistance has been in direct support of education, training and human resource development. Key among USAID's objectives in this sector has been the development of models for possible wider application. Much of this past work with NGOs in basic and tertiary education is expected to feed into existing and planned programs with the GNU in two main component areas.

The first component is a program to support policy and systems change, capacity building, and participation/empowerment in basic education, with a focus on three provinces. Many of the people that USAID worked with in the past in the NGO community are now key decision-makers in the national Ministry of Education and in provincial departments. USAID has a strong group of contractors in this sector, substantial in-house expertise, and experience with innovative education models developed through local NGOs.

The second component is a program to strengthen historically disadvantaged institutions (HDIs) in the tertiary education sector (universities and technikons) through the Tertiary Education Linkages Project (TELP). TELP is a 10-year project which began last year. It focuses on linkages between HDIs and other South African universities as well as U.S. universities (with a specified participation of American Historically Black Colleges and Universities [HBCUs]). The goal of TELP is to assist HDIs in institutional development, e.g., long-term planning and faculty strengthening, and to develop "centers of excellence" in selected areas such as economics, science, math, and schools of government.

SO 3. Economic Development

1. Economic Policy Support

As noted above, structural economic change is required to increase growth and job creation both of which are vitally important for sustainable development and the long-term viability of the RDP. The role of foreign assistance in this area is to work closely with the GNU to support South Africa's determination to lead its own economic reform and to bolster both public and private efforts to this end. USAID will support policy-oriented research by South Africans, provide technical assistance as requested, support exchanges and visits to expose South Africans to the experience of other countries in economic policy and management, and provide support to short- and long-term training.

2. Black Business Development

Supporting black participation in the private sector is important for producing sustainable economic gains for the majority population and for reinforcing the political will to rely on private sector-led growth. In the past USAID's private sector program focused on provision of microenterprise credit through NGOs. Present and future programs will stress broader business development among the disadvantaged majority, the enabling environment for small and medium enterprises (SMEs), and business input to national economic policy making. A cross-cutting theme is empowerment of the majority population through expanded ownership and participation in the formal sector. SME expansion will help job creation. Over time there will be more emphasis on the inclusion of black South Africans in expanding trade and foreign investment.

3. Housing and Urban Infrastructure

The demand for adequate housing ranks high among the disadvantaged majority, and this is reflected in the high priority given to housing by the RDP. The ownership of a house is a powerful means of providing disadvantaged South Africans with a stake in society. The Government, with significant USAID assistance, has formulated policies and mechanisms to make home ownership a reality for low-income households. The Mission's Housing Guaranty (HG) Programs are used to leverage resources for housing and related services for disadvantaged South Africans. Currently, a \$75 million HG is being used to leverage private sector resources for mortgages to low-income households. A second \$75 million HG, intended for an even lower-income group, is planned for FY 95. A third HG for \$50 million is planned for FY 96 for municipal environment infrastructure. Every HG dollar leverages two or three dollars of domestic private sector resources. These guaranty programs combine formal sector South African financial institutions with voluntary, community-based organizations and black businesses to provide both shelter and related infrastructure, such as water and electrification. These programs also increase majority-owned and managed businesses and employment opportunities, as well as provide models of the use of public resources to leverage private resources for development.

SO 4. Health

The new Equity in Integrated Primary Health Care Project (EQUITY) is unique in being not only the first Mission project designed to fully achieve a strategic objective, but also the first major USAID/South Africa bilateral project with the GNU. The EQUITY Project will take a capacity-building and systems development approach in assisting the GNU to change and strengthen its national health system so that quality, essential services are accessible to all South Africans -- especially those who are underserved. To accomplish this the EQUITY Project will concentrate support initially in a single province (the "focus province") in order to have sufficient resources both to develop the system and to make it fully operational. The national scope of the project will be achieved by intensive coordination among all nine provinces and the central DOH to ensure that sharing "lessons learned" and replicating effective systems will proceed rapidly throughout the country.

Within the last year the GNU has begun the process of consolidating the fragmented health system, redistributing services in an equitable manner, and drastically changing health care

priorities to ensure that integrated PHC, with its community orientation and focus on priority health interventions, can be achieved. However, there is a long way to go. The EQUITY Project will support the GNU's efforts and will clearly contribute to the shared goal of equitable access to essential health care by all South Africans.

Strategic Objective 4 has six major, interrelated program outcomes: (1) Increased access to an integrated package of PHC services in the focus province; (2) an effective, functioning referral system; (3) enhanced capacity to manage the integrated PHC program; (4) increased effectiveness and efficiency of PHC service delivery at the provincial and local levels; (5) institutionalized capacity for PHC training; and (6) improved information base for policy-making, program development, and management. These six outcomes are also critical end points for USAID/South Africa's assistance in the broad health sector, because together they represent the essential elements of the sustainable PHC delivery system that should be in place by the time our assistance to the sector ends in 2002.

Primary health care is an RDP priority and a key area of need in South Africa. While past USAID NGO-based programs supported the prevention of HIV/AIDS, a new project, Equity in Primary Health Care (EQUITY), has as its goal developing and demonstrating a unified system for primary health care in the Eastern Cape Province, to serve as a model for other provinces.

V. SPECIFIC PROGRAM OUTCOMES

In each of these four strategic objective areas, USAID has developed a list of targeted program outcomes (end points) that it will strive to attain by the end of the USAID program in South Africa. Each program outcome is accompanied by relevant benchmarks with completion dates that identify the specific impacts USAID hopes to help achieve. A summary program strategic tree is presented in Attachment 1. An itemization of these program outcomes, along with an indication of which would either not be attained or substantially reduced as a result of lower funding levels and shorter time frames, is presented in Attachment 2. (This program strategic tree should be considered as "draft" pending the submission of the CPSP in November 1995.)

VI. RESOURCE SCENARIOS

USAID/South Africa has presented a program which it believes will substantially contribute to solidly positioning South Africa for sustainable development. The outcomes established are based upon several assumptions, the most pertinent to this presentation being continued support from the U.S. Government via the provision of adequate resources to carry out this plan.

The Mission has "costed-out" its Development Fund for Africa (DFA) program. We are now much more certain about what will be needed to complete a comprehensive, sustainable development assistance program in South Africa which is limited in duration, rational in cost

and high in impact. To fully carry out its plan, the Mission envisions a program of 10 years in duration with funding of \$500 million over 8 years beginning in FY 96.

The Mission is fully cognizant of the extreme budget pressures that USAID as a whole faces and has worked through a second scenario which, consistent with current legislation being considered and the FY 96 Action Plan guidance, applies a reduced time frame and budget. This second resource scenario significantly envisions a program of 8 years in duration with funding of \$400 million over 6 years beginning in FY 96. It must be noted, however, that, having identified the requirements to have an appreciable impact on our program strategic goal, this second scenario significantly reduces impact in a number of important areas. Although we have absolute confidence in the determination of the GNU and the people of South Africa to fulfill their development goals, an early phase-out of USAID assistance in South Africa would prolong its transformation to sustainable development.

Table 1 (on page 51) and Table 2 (on page 52) present these two resource scenarios in detail. Figure 2 (on page 53) is a graphical presentation of the two resource scenarios.

Adverse Effects of Low Funding Option

The low funding option described above will have considerable negative impacts on the Mission's ability to substantially impact on the goal of sustainable transformation, both at the strategic objective level and beyond the direct impact on the Mission's program. Attachment 2 itemizes program outcomes/end points by strategic objective, and clearly indicates those end points which would either not be attained or substantially reduced as a result of applying Scenario 2: Low Option.

Potential negative impacts which extend beyond the direct impact on the Mission's program strategic objectives include the following:

Other Donor Assistance Levels. A sharp reduction in U.S. economic assistance to South Africa will likely serve as a beacon to other international donors to follow suit in the same manner in which major increases in USAID support following the 1994 election helped to prompt other donors to similarly increase their aid. This likelihood should not be discounted as USAID has, from many perspectives, consistently been a leader in South Africa within the international donor community. For FY 94, USAID was the second largest international donor in South Africa, following the EU.

Reduced Cumulative RDP Investment. Given the extent to which our program, and those of other donors, is integral to the RDP, a likely cumulative, sharp decline in donor resources for South Africa will slow down and put at risk the country's ability to meet the pent-up needs and expectations of the majority population. Again, this likelihood should not be discounted as donor funding represents a considerable contribution to the net investment (non-recurrent) resources available for the RDP. This will continue to be true until South Africa completes, over the medium-term, the process of restructuring the government budget, in particular, and, over a longer-term, realigning the priorities of the economy, in general, to the RDP. For this very reason, the GNU is aggressively working with the entire donor

community to develop what may become a model for other aid recipient countries, to ensure integration of donor programs with government priorities.

GNU and NGO Competition. A significant decline in USAID (and other donor) assistance to South Africa will definitely lead to sharper competition between the GNU and the NGO community for donor resources. In FY 94-96, the substantial expansion in the USAID program effectively enables us to continue our broad support to the all-important NGO community while concurrently providing considerable government-to-government assistance. An integral part of our strategy is to seek to build bridges, where appropriate, between the GNU at the national, provincial and municipal levels, and the NGO community. Our objective here is to build on key, successful NGO programs which we have supported. A sharp decline in USAID funding for South Africa will put at risk this important element of our strategy.

Flexibility Eliminated: Major decrease in USAID funding for South Africa will practically eliminate a hallmark of our program -- the *flexibility* which a sizeable program has enabled us to have in responding rapidly and creatively to very fluid, evolving situations on the ground. The low funding option will mean concentrating available resources to meet program mortgages and shutting the doors to our ability to provide catalytic, problem-solving assistance.

Sustainability at Risk: Across the portfolio, the low funding option will put at risk the Mission's ability to ensure institutionalization for the long-term sustainability of positive results. This is very important. The U.S. has consistently increased its assistance to South Africa since 1986, recognizing the importance of "making the investment" in not only bringing about change, but ensuring that this change is sustainable. In comparison to the total level of our official ODA investment since 1986, the difference between the two funding scenarios is a small, but important investment to make to help solidify the gains which we, the South Africans and the world community will have achieved by the turn of the century. The Mission will examine with all of the key role players in South Africa, what effective strategies and mechanisms can and should be applied to achieve this objective. This will include housing guaranty programs and endowments, where appropriate, to leverage domestic and international resources to leave behind select, sustainable institutions.

VII. CONCLUSION

USAID/South Africa's program has changed dramatically since the 1994 elections and even more so since two years ago. The Mission has, over the past three months, refined its objectives and is well on the way to defining a comprehensive program which will -- through the strengthening of systems and institutions for sustainable democratic governance, development of an integrated education system, support for overall economic growth and development, increased opportunities for access and ownership of assets and integrated health care systems -- substantially impact on our goal of sustainable transformation. In doing so, we have selected areas in which USAID's comparative advantage supports the RDP and

complements other donors' involvement. It is our intention to continue to use a participatory style because it is consistent with Agency guidance, has proven effective, and meshes well with the South African consultative traditions.

This paper defines a series of program outcomes (end points) which we believe can realistically be achieved in South Africa. The Mission requests USAID/W's approval of Scenario 1, Full Funding Option (which includes the Housing Guaranty Program) and of commensurate operating expense funding and staffing levels to proceed with the full development of this strategy. What we have defined is optimal. However, the Mission is fully aware of the continuing budget discussions and the possible need to reduce funding and program duration. We encourage and anticipate a thorough vetting of the issues with Washington which will provide the basis for guidance on finalizing our Country Program Strategic Plan (CPSP).

SUSTAINABLE TRANSFORMATION IN SOUTH AFRICA

A Concept Paper

I. INTRODUCTION

Less than ten years ago, South Africa was in the throes of political struggle and domestic unrest which prompted most countries of the world to impose economic sanctions to press for the end of apartheid. U.S. sanctions were accompanied by expansion of U.S. foreign assistance to South Africa, which grew from \$7 million in FY 85 to \$80 million in FY 93.

In April 1994 South Africa entered a new stage of nonracial democracy with the election of Nelson Mandela as President. To support that change and to help redress the social and economic legacies of apartheid, President Clinton committed the U.S. to an approximate doubling of U.S. assistance over the period FY 94-FY 96. USAID/South Africa is now in the second year of that 3-year program.

This Concept Paper provides an analytical basis for USAID/W to provide the Mission with guidance on future assistance levels to South Africa which can be incorporated in the Mission's Country Program Strategic Plan (CPSP), due in November 1995. USAID/South Africa recognizes that this decision is made much more difficult by the likelihood of major cuts in the international affairs budget (150 account), but requests support for a well-defined program that will position South Africa for sustainable, internally-led development.

The Mission began the dialogue with USAID/W on future program levels in February 1995, based on a budget options paper. During that visit, we were instructed to prepare a more analytical Concept Paper which defined the nature of transition support needed in South Africa, the specific "end points" we believe we should aim for by the end of USAID's program, and the associated resource requirements. This document is the result of that analysis. This paper is not meant to be the Mission's definitive statement on future strategy. That will be provided in the CPSP.

II. SOUTH AFRICAN CONTEXT

A. The Reconstruction and Development Program (RDP)

South Africa's new political leaders are working hard to establish a culture of participation and to build political consensus within the Government of National Unity (GNU) on policy and development goals. They have achieved remarkable success in allaying the fears of the minority population and building cooperation across African National Congress (ANC) and National Party (NP) lines at national, provincial, and local levels. Relations with the Inkatha Freedom Party (IFP) have been more problematic, especially over issues of provincial powers. The GNU has been widely applauded for instituting market-oriented and fiscally-conservative economic policies and looking to long-term growth as the main vehicle for black upliftment. Job creation will be maximized in conjunction with infrastructure provision.

Even before the national election, the ANC and other elements of the Mass Democratic Movement began developing plans for a national Reconstruction and Development Program (RDP) aimed at reversing the effects of apartheid and improving the lives of South Africa's majority population. Goals of the RDP include:

- Consolidating democracy and reforming the civil service.
- Spurring economic growth and job creation by policies conducive to growth and the private sector while maintaining fiscal discipline.
- Meeting the tremendous needs of the majority population in education, housing, health and other areas within the constraints of responsible economic policy.

The RDP represents the GNU's national vision for catalyzing popular participation in South Africa's transformation to sustainable development. It aims to help the poor and to involve them in their own development. The RDP puts a premium on community involvement and grassroots participation (symbolized by the *Masakhane* campaign: Building Together Now). It also calls for cooperative efforts by GNU, civil society, business, and labor.

Progress on RDP priorities has been slower than originally anticipated. Solid gains have been made in child-feeding programs, maternal and child health, and electrification. More modest progress has been made in land restitution, educational access, and liberalizing economic policies. Progress has been slow on Presidential lead projects that involve extensive community participation. The RDP has also been criticized for not moving fast enough to restructure government budgets and programs to focus on RDP priorities. The RDP Office acknowledges that it has run into stumbling blocks -- the difficulty of switching from the old way of doing business, problems with logistics, the need to build a culture of partnerships in which communities press for rights with the accompanying responsibilities, and the fact that local government as a point of delivery is not yet in place.

While the RDP has had implementation problems, it has clearly put development issues at the top of the national agenda and engendered a high degree of societal involvement, discussion, and support. To a surprising extent, the RDP is accepted and embraced by most elements in South African society, including members of the National Party and most leaders from the old order.

B. Critical Challenges

1. Political Development

In general, South Africans are doing a capable job on political elements of the transition. A new constitution and bill of rights are in the process of being drafted. Parliament has rejected its past rubber-stamp role and moved to develop more meaningful oversight and legislative initiative capacity. Civil society is active in policy debate and advocacy. Progress has been made on reform of the judiciary, human rights promotion, and expanding freedom

of expression. Modest progress has been made on reform of the civil service and development of policies on decentralization.

However, the process of democratic transition in South Africa has a long way to go. South Africans must deal with a complex set of political, institutional, legal, and other changes to make real the promise of participatory democracy and human rights protection. Many of the basic policies, protection and structures needed for a stable and mature democracy have yet to be established. Disadvantaged political parties lack capacity to relate effectively to local constituencies. There is a widespread lack of governance capacity and experience among government officials, and new government structures have to be formed in the provinces. The relationship between national, provincial and local levels of government is still evolving and is potentially contentious. Political violence continues to be a problem, particularly in Kwazulu Natal. The "honeymoon" period between the GNU and civil society is likely to be relatively brief, and a new, mature relationship between state and civil society will need to be forged. Finally, fundamental changes in attitude and behavior are required for democracy in South Africa to become not only *de jure* but also *de facto*.

In November 1995 local elections will establish democratically-elected local authorities for the first time. In 1999 new national elections will be held that will move from the shared power system of the GNU to unrestricted majority rule.

Some potential risks/uncertainties in the political sphere are:

- The GNU is currently in a honeymoon phase in which parties are working together cooperatively. This is likely to change as the 1999 election approaches.

- The ANC is a "broad tent" that incorporates very diverse views on economic and social policy. At some point it may break up into factions with distinct political and economic ideologies. If this happens, South Africa's democratic culture and institutions will have to stand the strains of more vigorous party competition.

- Governance capacity in the sense of management skills, budget processes, and intergovernmental coordination are not strong, and will take years to develop. Early institutional development may take 3-5 years; development of adequate numbers of trained people may take 10-20 years.

2. Economic Development

In 1994, the South African GNU inherited at least five conditions that will influence the future of economic growth in South Africa. On the positive side, it inherited and has shown a commitment to market economic principles and to limiting the role of the public sector. There are some elements of the GNU, however, who would like to see a greater role for the state in planning and directing the economy. Also on the positive side, there is in place in

South Africa physical and financial infrastructure that is unmatched in other transition countries. On the negative side, the GNU inherited gross economic distortions as a result of the former government's policy of apartheid, with the result that a majority of the population continues to be largely excluded from most benefits. Also on the negative side, the new government inherited an economy that was in recession, with per capita income at the same level as it was in the mid-1960s and 20 percent less than it was at its peak in 1981. The fifth condition, the political need to balance rising expectations from those who were exploited in the past while reassuring those who benefited from the past system that there will remain a reasonably secure place for them in the future, will severely limit the short- and medium-term options of the GNU to effectively deal with some of the structural problems.

For the first time since 1988, South Africa's per capita income is increasing. Growth in the Gross Domestic Product (GDP) signals the end of the economic recession, with a growth of 2.3 percent in 1994 and preliminary indications of approximately 3 percent growth in 1995. During its first year in power, the GNU has taken several significant positive steps to strengthen the economy. The deficit has been reduced from almost 10 percent in the 1994/95 budget to less than 6 percent in the 1995/96 projected budget. The GNU has eliminated a dual exchange rate system and has indicated a commitment to eliminate foreign exchange controls. The Interim Constitution provides for the independence of the Reserve Bank, ensuring controls on inflation. The new government is proceeding with tariff structure reform consistent with the General Agreement on Trade and Tariffs (GATT) that will reduce protection for local industries and will force improvements in competitiveness. The new government has also taken a prudent approach to assuming additional foreign debt that would add to the already large total debt load of the country (because of high domestic debt).

Despite the positive turnaround, it is clear that structural changes are needed. Current growth may not hold as capacity constraints are approached in a year or two. And growth in the current range is not high enough to bring down South Africa's high rate of unemployment. (Official unemployment is 33 percent, but half the labor force lacks a formal sector job.) The GNU has recognized that the economy is in a structural crisis and requires significant changes to produce the growth in incomes necessary to increase employment and address the legacies of apartheid. Actions to date are recognized as only beginning the process. Some of the long-term trends in the economy that are especially disturbing include a serious decline in productivity over the last 20 years, capital rather than labor as the driving force for expanding output, and declining net domestic investment (less than 5 percent of GDP since 1984) and net domestic saving (less than 6 percent of GDP since 1984). There is no consensus on the specific causes of South Africa's low productivity, but contributing factors may include high protectionism, high concentration of domestic firms, a skilled labor shortage, and a rigid labor market. These problems are not susceptible to quick fixes. Many of the required changes will extend beyond the usual range of macro-economic and microeconomic policies into the structures which have guided a host of economic relationships. Major progress will require years and the active cooperation of the business community, the public sector, political parties, and labor unions. Until these fundamental problems are addressed, high growth of the type needed to seriously reduce high black unemployment is probably out of the question.

Another long-term problem is South Africa's highly inequitable income distribution, one of the most inequitable in the world. For all of South Africa, the median household income is \$3,550 (with an average per capita income of over \$2,600). Whites, who account for less than 13 percent of the population, have a median household income of \$16,210. Africans, who account for more than 75 percent of the population, have a median household income of \$2,404 (one seventh that of whites). (Median household incomes for "Coloreds" is \$5,409 and for Asians is \$10,536.) Improving the equity of income and wealth distribution in a way that improvements reach the masses of the poor is critical if South Africa is to have political stability.

A final long-term problem is the marginal role that disadvantaged South Africans play in management and ownership in the private sector. Apartheid was designed to restrict black South Africans to supplying labor. In recent years disadvantaged South Africans have made some progress in entrepreneurship and participation on corporate boards, but in general their role in the developed business sector is quite restricted. Broadening the base of private sector participation and ownership is critical if equity is to be improved, job creation encouraged, and private sector-led growth broadly accepted.

3. Social Development

The political imperative of addressing the social and economic legacies of apartheid is widely recognized and the RDP has made specific commitments to improvements in government services in education, health, housing, and other areas. However, the funds available to support these programs are limited because of the tight budget situation. Redirection of ministerial budgets and programs to focus on the needs of the majority population is at an early stage.² Even over the longer term, fiscal constraints will limit the pace of social service delivery. For these reasons, progress in meeting social needs is likely to be far below expectations for the foreseeable future. Because of the magnitude of education, housing, and other needs, major progress in reducing the social service gap will probably take 20 years or more.

a. Education

Education is one of the critical challenges facing the new South Africa. Apartheid created a web of instruments to maintain inferior education for blacks as a matter of national policy. Public education was compulsory for white, Asian, and Colored pupils but not for Africans. It is estimated that 1.7 million school-aged African children did not attend school in 1991. While no accurate data exist for repetition and drop-out rates, available figures indicate that the number of repeaters are consistently in the 15-20 percent range in each standard. Transforming the educational system to be responsive to the needs of the majority population will take at least a decade for initial changes, and 20-30 years to approach parity.

² The GNU has said that the first national budget that will really be shaped by the new GNU priorities will be the 1996-97 budget, which will be issued in March 1996. The 1994-95 budget was developed by the previous Government, and even the 1995-96 budget contained only limited changes.

There are pragmatic reasons for leveling the playing field and increasing access. The white population alone cannot meet the skill requirements of a modern, market-oriented economy. Inferior education for black South Africans is a major contributing factor to the low productivity which characterizes much of the South African work force, and the productivity problem cannot be solved without major improvements in education for this group. Skilled leaders, public administrators, etc., are urgently needed to fill key positions in national and provincial governments. The frustration of a "lost generation" of several million young people who do not have the skills needed to participate in the economy has exacerbated violence, crime, and intolerance in South Africa.

In 1993, the Interim Constitution decreed that the State would provide the first 10 years of free, compulsory education. The growth of the school-aged population and improvement in retention will mean that total school enrollments could rise 30 percent from 1992 to 2002. To meet this demand, South Africa will need an additional 115,000 trained teachers. In the short-term this will require greater integration of schools and redistribution of qualified teachers from traditionally white schools to disadvantaged schools. In the long-term it will require changes in colleges of education, in-service training, teacher salaries, and national and provincial education budgets.

The tertiary education system also needs fundamental reform. Beginning in the late 1980s, the English-based institutions began to allow black students entry while Afrikaans-based institutions followed suit more slowly. As policies change and more students pass their matric (the matric pass rate rose from 56 percent in 1992 to 82 percent in 1994), the university system will be under growing pressure to expand enrollments. This will hit particularly hard at the historically disadvantaged institutions (HDIs). These institutions have been the main source of tertiary education for the majority population but have suffered from chronic resource shortages and inferior education levels. This has led to heated debate and disruptions on campuses across South Africa. The GNU must address issues of student finance and poor preparation due to the inequalities at the basic education level. To this end, the GNU is investigating loan and bursary schemes and community colleges as a college preparatory alternative.

New programs are also needed to address adult basic education and out-of-school children. Over 10 million adults are estimated to be illiterate in South Africa and the illiteracy rate among the African population averages 50 percent. Estimates from the 1991 census data indicate that only 42 percent of African adults over 20 years of age have received an education higher than Standard 5 (grade 7 in U.S. terms).

b. Health

Health also reflects the distortions and inequities of apartheid. By international standards there are sufficient nurses, doctors, and hospital beds to serve the nation's population. South Africa spends an estimated \$150 per capita per year on health care (ten times what the World Bank suggests it should cost to provide essential public health and clinical services). However, because of the distorted allocations of apartheid, millions of South Africans are without basic services. Health services are fragmented, inefficient, and ineffective, and

resources are grossly mismanaged and poorly distributed (particularly in rural areas). The inequality of health services is shown by the following statistics: (1) the infant mortality rate among African and Colored children is nearly ten times higher than for white children; (2) the life expectancy at birth of African and Colored children is ten years less than for white children; (3) diarrheal disease is the major cause of death among one-to-four-year-old African and Colored children (but causes only 4 percent of white children's deaths); and, (4) African and Colored children account for 98 percent of tuberculosis cases among one-to-four-year olds.

Population growth is another long-term problem. Past policy recognized overpopulation as a cause of poverty, but ignored the role of apartheid in creating poverty among disadvantaged groups. The RDP recognizes that South Africa's relatively high population growth rate (estimated to be 2.3 to 2.5 percent) is a major problem for sustainable development. A recent "Green Paper" on population policy has put this issue formally on the GNU's agenda.

c. Housing and Urban Infrastructure

The apartheid system created spatially separate urban enclaves. Within the black and Colored townships, appallingly substandard housing and related shelter conditions were and remain the norm. The current housing shortage, which is borne by the disadvantaged majority, is massive -- estimated at 1.3 million units. To fill the current backlog, and keep pace with new demand, over 300,000 units per annum will have to be constructed over the next ten years. Infrastructure shortages (i.e., water, sanitation and electricity) are equally daunting. For the major urban areas it is estimated that \$1 billion will have to be spent over the next five years to bring low-income areas up to minimum standards. It would be economically unwise and fiscally dangerous for the GNU to be the main financial actor in the housing and urban infrastructure arena through subsidies, intergovernmental transfers or other comparable mechanisms. The private sector will have to play a major role. There are substantial opportunities for private sector involvement in financing, especially if the GNU can create a supportive environment for private sector interventions.

C. Summary

South Africa has made an excellent start in its first year under nonracial democracy, particularly in building political unity. The economy has also made significant short-term gains. However, for the longer term, South Africa faces four major challenges:

- Consolidating democracy and improving the quality of governance. This involves making the new democratic institutions viable and secure, making a successful transition to full majority rule in 1999, and making the public service more representative and effective as a vehicle for implementing the RDP.

- Making enough progress on improving services to the disadvantaged population in education, health, housing, and other areas that popular expectations are not fundamentally disappointed (possibly leading to demands for populist and statist policies). Detailed studies of public opinion in the disadvantaged population indicate

that "people in the street" do not have unrealistically high expectations. However, the GNU does have to demonstrate visible progress on basic services if it is to maintain long-term political support. This means that the GNU will have to achieve a higher, sustained pace of delivery than the RDP has achieved to date.

--Making economic policy and regulatory changes to achieve higher, sustained economic growth. As noted earlier, current growth of approximately 3 percent per year is not enough to reduce South Africa's high unemployment, which is concentrated in the majority population. The World Bank believes that South Africa can achieve sustained growth of 5 percent per year (which would reduce unemployment gradually) if it undertakes fundamental structural reforms to raise productivity, savings, and exports. However, this will require difficult changes over a period of years. These changes will not be easy for a new GNU to lead, especially one that has come into office with the political mandate to uplift the majority population and reduce inequality.

--Expanding participation in the private sector and ownership of businesses, houses, and other assets by the disadvantaged majority so that the benefits of growth are spread more equitably within the South African society. If a political base for market-oriented economic policies is to be built and maintained in a country with South Africa's tremendous inequality and legacies of exclusion, it is essential that economic access and participation be expanded.

III. U.S. POLICY BACKGROUND

A. South Africa Compared to Other Countries

In one sense, South Africa is similar to other transition countries such as Russia and Eastern Europe, in which USAID is providing short-term transition support. Such programs share certain characteristics that differentiate them from long-term development programs:

--Transition support programs usually deal with political consolidation (after political change) as well as economic development.

--Transitions are dynamic and often unpredictable, and the effectiveness of aid often depends on timeliness, flexibility, and taking advantage of targets of opportunity.

--The main determinants of economic and social progress are internal; aid is mainly relevant as a catalyst, a supplement, and an encourager of internal forces. (In a typical long-term development country in Africa, foreign aid may account for 10-20 percent of GDP and be the principal source of public investment. In South Africa, total foreign aid today accounts for less than 1 percent of GDP.)

--The rationale is U.S. political and economic interests in successful transitions rather than absolute level of need.

South Africa also differs from Russia and Eastern Europe in fundamental respects. First, the challenge in South Africa is empowering and bringing into the system a major portion of the population that has been disadvantaged by apartheid. Economic reform is needed but not a radical restructuring of the entire economic system. Democracy can build on a base that was previously restricted to whites as well as on South Africa's strong civil society (built during the struggle against apartheid). In contrast, in Russia and Eastern Europe, fundamental restructuring of the whole economic order is needed and, in most cases, democracy has to be constructed from the ground up.

Second, Russia and Eastern Europe appear to be on faster and more radical transition tracks than South Africa. Reflecting their structural problems, economic change in Russia and Eastern Europe has been deep and rapid. In South Africa the pace of economic and social change has been gradual and deliberate. As noted above, the RDP is moving slowly; economic reforms will take time to produce results; and the enormous needs of the majority population mean that the goal of reversing the social and economic effects of apartheid can only be approached incrementally.

Third, because of apartheid and its unique racial history, South Africa has one dominant characteristic that is more similar to situations in Africa and other long-term development countries than to Russia or Eastern Europe: its large and chronically underdeveloped majority population. South Africa has often been accurately described as a mix of First and Third World conditions. Its First World component, while incorporating only a small portion of the population, is highly developed. It accounts for most of South Africa's GDP (which is three times that of all of the rest of southern Africa combined). For the Third World majority of the population, however, South Africa has levels of poverty and underdevelopment, especially in the rural areas, which are not much different from those of the rest of Africa. For example, the United Nations Development Program (UNDP) Human Development Report shows that the overall human development index for South Africa is 0.650 -- for whites it is 0.878, while for blacks it is 0.462. If white South Africa were a separate country, it would rank 24 out of 173 countries in the world. Black South Africa would rank 123 out of 173 in the world. Life expectancy for whites is 75 years and 60 for blacks. Nearly all the poor South Africans are blacks of African descent. Figure 1 shows that their poverty share is 95 percent. About 5 percent of the poor are Coloreds, while Asians and whites make up a negligible share of the total number of poor.

Thus, in many ways South Africa's transition challenges are unique. In one sense, they can be seen as a hybrid of some elements of the short-term transition needs of Russia and Eastern Europe, with some of the problems of long-term development of the rest of Africa. But in another sense, South Africa's challenges can be seen as different from the needs of Russia and Eastern Europe -- especially in terms of economic challenges. In most other African countries, economic infrastructure is very weak, the private sector is undeveloped, and participation in the global economy is limited. Development starts from a very low base. Russia has developed human capacity, but its economic infrastructure (banks, commercial law, physical infrastructure) is poor, it has little experience with private enterprise, and major parts of its industry and agriculture are grossly inefficient and uncompetitive.

In contrast, South Africa has a functioning private sector-led economy, excellent physical infrastructure, banks, commercial practices, etc. The development challenge in South Africa is not building basic structures but expanding access and opportunity, broadening participation, and bringing those excluded from participation into the benefits of development, while not damaging the forces that have built South Africa's economic base up to now. This gives South Africa some advantages over other countries struggling to achieve sustainable development.

Figure 1: Poverty Shares by Race
(% of all Poor in South Africa, by race)

B. USAID/South Africa's Program Changes Since the Election

The USAID program in South Africa has already changed significantly since the 1994 election and the inauguration of the GNU, which ended the earlier prohibition on working with government or government-funded entities. New or redirected program areas include:

Democracy/Governance: new post-elections party training; training for legislators; a new administration of justice program with the Ministry of Justice; increased emphasis on violence prevention; and a new public administration/governance program (focused on the new provinces).

Education and Health: support to the National RDP Office and to Provinces on education policy and institutional changes; support to historically disadvantaged universities and technikons through the Tertiary Education Linkages Project; two major bilateral agreements planned with the GNU focusing on basic education policy and delivery models; and a new health project begun with the GNU to develop and demonstrate a model of sustainable primary health care in Eastern Cape Province.

Economic Development: expanded support for local research on economic policy issues; new work with the GNU on the enabling environment for small and medium enterprises; intensified support for black business organizations trying to influence the regulatory environment; and work with the national Ministry of Housing and several provinces on maximizing the role of the private sector in increasing access to capital for provision of housing and urban services.

For FY 95 the Mission expects to sign bilateral agreements amounting to \$84.5 million, obligating \$24.7 million this FY. This represents approximately 25 percent of our DFA OYB.

IV. FUTURE USAID SUPPORT

Various rationales can be offered for continuing a high level of U.S. assistance to South Africa.

A. U.S. Interests

One is based on the strength of U.S. interests in South Africa:

--South Africa's political importance as a major developing country that has overcome racial division and adopted majority-rule democracy.

--South Africa's importance as a symbol to the world of the possibility of resolving serious racial and ethnic differences by negotiations and compromise. Vice-President Gore emphasized this role when he said that South Africa ranks with Russia as two of the top U.S. foreign policy concerns worldwide.

--South Africa's importance as a trade and investment partner -- e.g., U.S. trade with South Africa is greater than with all of Eastern Europe.³

--South Africa's potential to lead economic development and political stabilization in the southern Africa region.

B. Good Policies

Another rationale is based on the good policies that South Africa is pursuing in most areas. Compared to other developing countries, South Africa ranks at or near the top in:

--Commitment to and implementation of democracy. Strength of civil society. Commitment to transparency and openness of government and determination to control corruption.

--A participatory approach to development that directly involves community groups, NGOs, and the grassroots level. A high level of political consensus on development goals and a determination to mobilize public and private resources to meet long-term development needs. An emphasis on targeting the poor in government spending and services.

--Internal leadership of reform and fiscal discipline. Development of national economic policies by dialogue processes that involve business, labor, and civil society. Potential for sustainable, private sector-led growth.

C. Need

A third rationale is based on need. As noted above, there are serious problems of poverty and underdevelopment, poor health and education standards, inadequate housing, and weak participation in business in South Africa's disadvantaged population, even if they are not as bad as in most other parts of Africa. This argues for some level of help to promote growth and development (though arguably not as much as goes to long-term development countries in the rest of Africa).

D. Averting Instability

A fourth rationale is based on possible threats to South Africa's future stability. One of the most dangerous of these is the threat of a popular rejection of current pragmatic approaches to growth and development arising from disappointed expectations in the majority population. This could lead to the type of populist and statist policies that have brought ruin to many

³ South Africa is a counter-example to the three main allegations made by critics of U.S. assistance to Africa: 1) that the U.S. has no significant foreign policy interests in Africa; 2) that there are no significant trade and investment opportunities in Africa; and 3) that African countries never graduate from foreign aid. The U.S. has important foreign policy interests in South Africa. It has strong commercial interests in South Africa. And South Africa will graduate from U.S. assistance.

other African countries. Although the short-term expectations of black South Africans for economic and social progress may not be as great as some observers have feared, it is possible that the GNU will face a crisis of expectations in the long-term if it cannot produce real and visible gains for the disadvantaged population.

Whether the GNU will be able to produce significant gains for the disadvantaged population will depend mainly on South African actions, particularly in spurring economic growth. However, foreign assistance can play an important, complementary role both quantitatively and qualitatively.

As noted earlier, the GNU is determined to hold down the budget deficit, but the preceding government had already established moderately high tax rates and high deficit spending. As a consequence, the GNU has little leeway to expand social services to the disadvantaged majority without severely affecting services to the privileged portions of the population (which could endanger the political consensus and the white economic base). According to some estimates, the share of current government resources that can be classed as "discretionary" in the sense of being available for reprogramming for majority needs is only about 5 percent. In this context, foreign assistance from all countries -- which adds up to about 3 percent of government spending -- can make an important quantitative contribution. U.S. assistance accounts for about 25 percent of this total.

In addition, USAID programs can contribute more than their dollar value through their catalytic effects. Whenever the GNU is trying to set new directions and develop new programs, it is inevitable that there will be problems of slow response, insufficient resources, and lack of coordination. In such an environment, USAID's focus on decentralized support for "change agents" (individuals and institutions inside and outside of government which can lead change) can have high impact. Such support is a conscious element of the Mission's "foundation" mode of operation.

E. Special Opportunities in South Africa

The preceding rationales are relevant but are probably not sufficient to justify the continued high level of funding that USAID/South Africa is requesting over the next ten years. In today's fiscal environment, such funding can probably only be justified if there is something that is truly outstanding about South Africa and about what can be accomplished there. We believe there is. We believe that South Africa and the USAID/South Africa program stand out in several essential ways:

--South Africa is a very promising and dynamic environment for change. USAID does not have to try to create change but just support it. The dynamism arises from a highly capable political leadership; a high degree of social mobilization across government, business, and civil society; and a high level of grassroots activism and involvement.

--U.S. assistance can have unusually high impact, both because of the promising South African environment and the innovative nature of USAID programs. We are

well-placed to capitalize on the strengths and decentralized opportunities of South Africa because we have a significant in-country staff, a flexible small-grant mode of programming and the ability to deal flexibly with GNU ministries, and extensive links with NGOs and new political leaders who are leading change in South Africa.

--Success in South Africa is important not just for the people of South Africa, but also for the southern Africa region, Africa as a whole, and the world. South Africa is on the world stage. It is a beacon of hope in a global environment that often appears to lack hope. If it does not succeed, the loss will be felt far beyond South Africa's borders. But if it does succeed, the South African "miracle" will be a model for the world.

V. PROPOSED PROGRAM

A. Goal: Support for Sustainable Transformation

If these factors argue for a continued major aid program in South Africa, what should be the goals and shape of that program? Since the inauguration of the GNU, USAID/South Africa has worked to ensure that our future assistance will be fully supportive of the RDP. Based on (1) extensive dialogue with the GNU at various levels, (2) extensive coordination with other international donors in various fora, and (3) careful joint review and assessment of our past assistance activities with the NGO and private sector communities, we believe that the overall goal of the USAID program over the next ten years should be support for sustainable transformation. We define sustainable transformation as a middle-ground goal which goes further than short-term transition support but not as far as long-term sustainable development. Sustainable transformation means:

Assisting South Africa through the point where democracy is sufficiently consolidated, basic systems and policies for social service delivery are in place, processes of institutional change (including asset ownership by disadvantaged South Africans) are far enough along, and the development of management and technical capacity are far enough along so that there can be reasonable confidence that South Africa's majority population is on a course to sustainable political, economic, and social development.

Sustainable transformation does not mean the actual attainment of that development.

In the area of social service delivery, for example, sustainable transformation would encompass U.S. support for putting policies, institutions, and participatory mechanisms in place, so that a base is laid for future delivery. It would not include actual delivery. For example, in education, the measure of success would not be whether all black children are receiving a certain level of education, but whether the GNU has achieved reasonable development of, and consensus on, education policies and program directions and has made enough progress on consolidating and reforming institutions to meet universal primary

education needs over time. As noted above, in most social sectors, major progress on actual delivery may require 20-30 years. However, it should be possible to put in place the policies, institutions, capacity, and participatory mechanisms to deliver effective and efficient services in 10 years or less.

A vital element of transformation is increasing participation and empowerment of the majority population. Apartheid was a top-down system in which most aspects of life of the majority population were decided by the minority government. The GNU does not just want to change the faces of government leaders making decisions for the people, but rather, to include the people in decision-making so they can ensure government programs are responsive to their needs, hold the GNU accountable for performance, and add their own energies and involvement. For example, in education this means that parents will be involved in influencing and overseeing local education, community school boards will play a role, NGOs will make inputs into national education policy, etc. In the private sector, participation and empowerment means that disadvantaged women and men will have more power as owners of business assets, more access to capital, more home ownership, etc.

The role of foreign assistance under this concept is not to become a principal driver of development, but to provide supplementary help that catalyzes and supports internal processes. Where transformation assistance supports delivery, it is as a means to the end of policy reform or system change. For example, USAID's proposed health project will help develop a primary health care system in one province of South Africa to serve as a model for the country. This project includes limited delivery of services only to demonstrate the model and ensure credibility.

Why should USAID target this intermediate goal of getting policies and systems in place, but stop short of actual delivery? First, we believe this is consistent with the nature of South Africa's development challenges. More than short-term transition support is needed because of the level of social and economic need in the majority population, the long-term nature of South Africa's development challenges, and the difficulties the GNU faces in satisfying expectations. However, South Africa's internal resources and relatively high income level (compared to long-term development countries in Africa and elsewhere in the world) argue against USAID support for actual delivery. Second, we believe that USAID assistance can have unusually high impact as a catalyst and support for change if interventions are restricted to investments in policy development, building institutional capacity, and fostering participation in key areas where there is a match between South African needs and USAID capabilities. Third, the nature and levels of funding of other large donors, such as the European Union (EU), World Bank, and the Japanese, are more appropriate for long-term financing of infrastructure and service delivery. Thus, USAID/South Africa's goal of sustainable transformation supports the objectives of the GNU's Reconstruction and Development Program.

B. Sub-goal: Empowerment

Our strategy sub-goal continues to be political, social, and economic empowerment. We will continue to ensure that projects we support strengthen the capacity of the historically disadvantaged to take the next steps in their own and their community's development. That is, in all our efforts -- not just those aimed explicitly to promote our "democratic governance" objective -- we seek to empower the historically disadvantaged to sustain the development process. We will ensure, through our own assistance and through our dialogue with government, NGOs, and other development agencies, that the historically disadvantaged have the tools to take control of their lives and to take advantage of increased opportunities, options, and access to resources to make informed decisions affecting their lives and their families.

USAID/South Africa's efforts towards achieving racial equality are equally planned to address gender imbalance. Consistent with a vision of social and gender equilibrium, our Gender Policy aims to ensure that our program is consistent with the RDP's objective of "ensuring a full and equal role for women in every aspect of our economy and society." The RDP states that "women are the majority of the poor in South Africa" and that "mechanisms to address the disempowerment of women must be implemented." USAID/South Africa will assist in the social, economic, legal, and political empowerment of South African women and men. Our strategic objectives will increase opportunities for women and men to participate in, contribute to, and benefit from the development of their country.

C. Strategic Objectives

In developing proposals for a future program, we considered GNU plans under the RDP, areas important for sustainable transformation, the Mission's experience and comparative advantage, and what we thought we could realistically aim to accomplish within reasonable bounds of program duration and funding levels. This led us to focus on four strategic objectives (SOs):

SO 1. Democracy/Governance. Help consolidate democratic governance -- assist in strengthening elections, parties, parliament, human rights/administration of justice; reduce and mitigate violence; strengthen civil society; and support reform of the public service to make it more representative and effective (particularly in RDP implementation in the provinces).

SO 2. Education. Support the development of new policies, systems, and capacities for the integration of the education system -- disseminate models in basic education; assist historically disadvantaged institutions of tertiary education (HDIIs, universities and technikons) to build faculty capacity, establish "centers of excellence" in specific areas, and improve the quality of education; and fund short-term and degree training in the U.S. and in South Africa.

SO 3. Economic Development. Help increase opportunities for access and ownership of assets while supporting efforts to increase and sustain economic growth -- assist disadvantaged South Africans to increase ownership, access capital, and participate in private business; and help to demonstrate new private sector-based models of housing delivery, housing finance, urban infrastructure development, and urban finance.

SO 4. Health. Support the development of a unified system to provide integrated primary health care to underserved populations. USAID/South Africa's new health sector initiative focuses on providing support to the GNU to restructure and rationalize the present health care system to ensure sustainable access to essential health care services for all South Africans.

The rationale for these program choices is based on the four long-term challenges facing South Africa described above: (1) consolidating democracy and improving governance; (2) making adequate progress on basic social service delivery; (3) reforming economic policy and structures to achieve sustained growth; and (4) expanding the participation of the historically disadvantaged majority population in the private sector and ownership of assets. Our strategic objectives will help the GNU meet these challenges. SO 1 will help with the first challenge. SO 2 and SO 4 will help with the second challenge. SO 3 will help with the third and fourth challenges.

There is synergy among and within these SOs. The economic and social development goals of SO 2, SO 3, and SO 4 will make it easier to achieve democratic consolidation (SO 1). Help with social services (SO 2 and SO 4) and majority population empowerment in business and housing (SO 3) will make it easier for the GNU to implement economic reforms (also SO 3), for two reasons:

--As noted above, for long-term growth South Africa needs economic reforms that may not be compatible with the political imperatives to reduce inequality and uplift the disadvantaged majority. Actions, such as holding down deficit spending, avoiding new debt, reducing protectionism, increasing competition, and bringing wages into line with productivity are directly at odds with steps that many favor to help the majority population by direct government intervention. The GNU's ability to lead South African society toward appropriate reforms will be stronger if it can point to a solid record of achievement on delivery of benefits to the people. USAID's support in education and health (SO 2 and 4) will help with this.

--Another obstacle that has to be overcome for market- and growth-oriented policies to gain political support is the view, among some, that capitalism is associated with apartheid and benefits only the elites. In light of South Africa's historical experience, this view is understandable. But if it is not changed, the new South Africa will be hampered in its ability to achieve economic growth and job creation. Thus, it is essential that the link between "elite-white" privileges and capitalism be broken. This should not be done by government-managed redistribution (which could hurt growth), but by making the historically disadvantaged South Africans major participants in private sector-led growth (not only as workers, but also as owners of companies and

capital). This can be done by opening up opportunities, expanding training and education, and encouraging black entrepreneurship, home ownership, and participation in the formal sector. USAID support for black participation in business and housing ownership (SO 3) will help with this.

Consistent with the above strategic objectives, USAID/South Africa will support the objectives of the Binational (Gore-Mbeki) Commission to the fullest extent possible. Particular emphasis will be placed on support to the Human Resource Development and Education Committee which is co-chaired by the USAID Administrator. A number of possible activities are under active consideration with the GNU. More limited assistance is being considered in support of the objectives of the Sustainable Energy Development Committee (co-chaired by the Deputy USAID Administrator) in concert with our planned Housing Guaranty support to municipal and environmental development beginning in FY 96. Finally, USAID/South Africa is proposing broad assistance to the GNU to help ensure that its various elements have the resources to engage actively with U.S. counterparts in the development of viable programs. This final element of USAID/South Africa's support to the Binational Commission will be accomplished with the support of USIS/South Africa.

D. Program Strategic Principles

Our strategic principles are consistent with the New Partnerships Initiative (NPI) recently announced by Vice-President Gore. Key principles that fit directly with NPI are: focus on empowerment through citizen participation and ownership; emphasis on the role of local NGOs, universities, foundations, small businesses, and decentralized government in sustainable development; mobilizing U.S. nongovernmental resources to support local capacity building; improving the enabling environment for NGOs and small business; and a goal of graduating from U.S. assistance.

1. Participation

South Africans have made broad participation by people in defining development priorities and approaches a *sine qua non* for constitutional reform and for implementing the RDP. For example, close to 2 million written inputs have been provided by individuals and interest groups to the Constitution Commission. The practice or lack of practice of participation will be measured as part of the RDP's performance management. Every white paper must create opportunities for all stakeholders to contribute actively to the policy development process to ensure a people-driven process.

USAID/South Africa has used various mechanisms to ensure that participation is both a process and an end.

--We have listened to the voices of ordinary people as we have tried to discern national and local priorities. We have developed and maintained direct channels of communication with groups representing a wide range of views and interests in the society -- human rights groups, community development trusts, educational

foundations, commerce federations, housing forum, women's groups, etc.

--Our transformation strategy supports the RDP. Our strategy is focused on existing opportunities for USAID to contribute to development processes, as articulated in the RDP, for which there is well-rooted local support and which remains consistent with USAID's strategic objectives.

--We have routinely tested our expert analysis with organizations representing the interests of small entrepreneurs, informal settlement dwellers, poor women, professional associations, charitable NGOs, and other people whose experience provides a needed reality check on our assumptions. We have opened our evolving strategy to debate by a range of South African experts in the universities, research institutions, NGOs, and GNU bodies and by other donor agencies.

--We have existing partnerships with a variety of South African and American private organizations, ranging from non-profit development institutions to professional associations and businesses, to provide development assistance. We have worked and will continue to work with those that are committed to strengthening historically disadvantaged South African institutions and empowering people. As we help strengthen South African institutions and capabilities, we will assist in facilitating the sharing of experience and expertise among South African institutions and also seek to expand their network to the rest of Southern Africa, the African continent, and the rest of the world.

2. Sustainability

The various participatory mechanisms highlighted above will contribute to sustaining the transformation and development process. In addition, the following strategic approaches will contribute to sustainable transformation.

--In addition to providing hundreds of small grants for discrete (though strategically linked) interventions, our assistance has increasingly addressed systems changes at the national, provincial and local level. Our assistance will focus on an integrated set of interventions, including performance management, strategic planning, budget processes, intergovernmental coordination, and technical capacity strengthening.

--In addition to our successful work with NGOs, our ability to now legally work with the GNU will allow us to engage in activities that have contributed to policy reform and other national commitments that are perceived as serving a broad national interest.

--The proposed program will help the GNU during its critical early years in democratic consolidation, economic development, and policy and systems development for social services. This assistance is intended to continue until after the 1999 election and, then, phase-out. USAID recognizes that the effectiveness of

NGOs depends in large measure on their institutional autonomy. During this period, we will evaluate the idea of endowments for selected NGOs that (a) show organizational viability; (b) complement the GNU in key areas that South Africans feel are important; (c) act as a balancing force to the GNU; and (d) demonstrate regional or global significance. This idea of endowments could reinforce programs of the Binational (Gore-Mbeki) Commission and help give these programs a long-term, strategic focus. USAID would start laying the groundwork for most of these sustainable NGO institutions now. Key factors in considering endowments are (a) successful NGO programs; (b) effective strategies for mobilization of private domestic and international resources; (c) USAID partnerships with other donor agencies; and (d) U.S. PVO and South African NGO linkages.

3. Linkages with Regional and Global Initiatives

USAID/South Africa recognizes the desire of South African roleplayers to engage in regional and global cooperation. While USAID/South Africa resources are limited to in-country assistance, regional programs, such as the Initiative for Southern Africa and initiatives of the Global Bureau offer a mechanism for regional and global cooperation. South African organizations are ready to learn and share lessons learned (e.g., election monitoring), work on regional problem solving (e.g., cross-border investment and trade in both goods and services), and develop regional or global partnerships and networks (e.g., Forum of African Women Educationalists). USAID/South Africa will explore ways to link experienced South African organizations to regional and global initiatives. Considering the many first world institutions that exist in South Africa, USAID/South Africa will request potential regional and global partners to assess the fit between (a) the desire of South Africans to both give and receive technical assistance and (b) the appropriateness of technical cooperation versus the offer of or request for technical assistance.

4. Measuring Results

We are now well-positioned to better monitor and report on our results. The major program evaluation dated April 1995 documented the program's effectiveness from 1986 to 1993 in achieving the objectives of the Comprehensive Anti-Apartheid Act (CAAA), identified lessons learned, and assessed the program's replicability and potential usefulness as a model for programs elsewhere. Utilizing interviews, a survey-questionnaire, case studies and focus groups, the evaluation clearly found that U.S. support "was important in helping South Africans end apartheid." From the perspective of black South Africans, the intended beneficiaries of USAID's program, our activities did help to "hasten the demise of apartheid," the primary goal of the CAAA. USAID's contribution was noted in community development, human rights assistance and voter education. Results of the program in attaining the empowerment goal of the CAAA and building African leadership for a post-apartheid South Africa were significant and visible. USAID support enabled thousands of disadvantaged South Africans to acquire essential skills, knowledge, and leadership experience which they use as managers and policy makers during the current period of transformation and development.

As we work towards the goal of sustainable transformation, USAID/South Africa will carefully monitor program performance and results. An important factor in making this possible is the RDP's commitment to performance management and monitoring participation and empowerment of the poor. The Mission is actively represented on the RDP's Performance Management Working Group. As is the GNU, the Mission is committed to keeping our focus on results -- on the results experienced by South Africans -- rather than merely on tracking the material inputs to projects. The Mission, thus, has taken several steps to ensure better program performance and results tracking. In November 1994, the Mission conducted a Monitoring and Evaluation (MER) exercise which paved the way for the preparation of the Mission's first Assessment of Program Impact (API), submitted in February 1995. Parallel to producing the Mission's first API, a comprehensive Monitoring, Reporting, Evaluation and Information Transfer (MERIT) system was conceived. MERIT is a relational data base which will store and compile budget, directory information, project management, and qualitative and quantitative indicators on all program activities. MERIT will also be able to link into other information systems of the re-engineered Agency to support the objective of keeping our focus on results.

VI. STRATEGIC OBJECTIVES

Our four strategic objectives (SOs) are fundamental to a sustainable transformation:

- SO 1. To help consolidate sustainable democratic governance:
- SO 2. To support the development of policies, systems, and capacities for the integration of the education system:
- SO 3. To help increase opportunities for access and ownership of assets by the disadvantaged majority; and.
- SO 4. To support the development of a unified system to provide integrated primary health care to underserved populations.

For each of the strategic objectives, we have identified program outcomes (PO) which we consider our end points -- these end points represent desired cumulative results or aggregation of outputs. Achievement of these end points indicates that our assistance will help facilitate South Africa's goal of reconstruction and development. Each program outcome is followed by a set of specific conditions which show how results, in terms of policy reform, institutional capacity-building, and empowerment processes are manifested. Further refinement of our results package and better specificity of people-level impact will continue as we develop our CPSP. A tree showing our strategic objectives and program outcomes is included as Attachment 1.

The strategic objectives and program outcomes discussed below constitute what we consider our "ideal" scenario based on program funding, duration, and staffing projections presented

in Section VII below. Section VII also presents program options for an alternative lower funding and shorter timeframe scenario, and examines the implications of such on attainment of our strategic objectives and the likely impact on our program goal and sub-goal.

A. SO 1. To Help Consolidate Sustainable Democratic Governance

1. Rationale

South Africa's transformation is, in the first instance, political. Beginning with a fundamental change in the rules of the game and the distribution of power, it can best be understood as an effort to make real, tangible, and permanent the principles and promise contained in that initial wave of change. For this reason, the Mission's first strategic objective is to help consolidate sustainable democratic governance within South Africa by helping to overcome the many challenges still facing the country in this arena.

Democratic governance is pursued not only as an end in itself but because it provides the enabling environment to achieve USAID's other strategic objectives in the country. Progress in the political arena must continue in order to provide the stability and overall framework for the sustainable transformation of all sectors within South Africa. At the same time, socio-economic and other challenges will impact the democratization process within South Africa.

The South Africa "miracle" is primarily a result of the efforts of South Africans working together to bring about the changes that have occurred. However, USAID/South Africa has been an active participant in the democratization process in South Africa. We have funded a broad range of programs to support civil society, as well as activities targeted at legal and human rights, conflict resolution, elections and governance. USAID played a major role in the 1994 national elections, through efforts in voter education, political party training, and local and international monitoring.

2. Strategy

USAID/South Africa cannot hope to address all of the remaining challenges in the democracy and governance area given funding and time limitations. We do not have the twenty plus years that are needed to accomplish large-scale institutional reform or to impact on deep-seated cultural attitudes. Neither can USAID continue its past approach of supporting a large number of diverse forces within society pushing for change. Rather, USAID's strategy is to address a range of programs whose cumulative results are critical for the consolidation of democracy and where we have a comparative advantage. Our plan is to achieve sufficient progress in the development of policies, institutions and accountability mechanisms so that we can be reasonably confident that the changes we have supported will be sustained after USAID leaves.

Each of the democracy governance program outcomes represents an area in which USAID has been active in the past and where significant obstacles to sustainable transformation

remain. While they span the four major substantive areas included in USAID's global strategy on democracy, USAID/South Africa expects to focus within each area on a limited number of targeted and concrete results towards which it can make an important contribution with fundamental long-term consequences.

The strategy focuses on specific program outcomes (end points) as cumulative results which will be accomplished in the time period remaining. USAID will phase out of specific sectors as these program outcomes are accomplished. Some of the program outcomes may change during the CPSP period. This is to be expected -- political development is a dynamic process and new opportunities/challenges will emerge which have not been previously anticipated. Within its focus on a limited set of results, USAID/South Africa wants to retain flexibility in order to respond to new urgent needs and to priorities articulated by South Africans during our CPSP preparation.

Increasing the role of women in South Africa is central to and interwoven throughout USAID's democracy and governance strategy. Not only do constitutional reform efforts focus on women's rights, but other program inputs are aimed specifically at increasing opportunities for women to play an expanded role in both the formal political process and within civil society.

Participation: The selection of these areas of emphasis reflects our analysis of critical challenges facing the system and widespread consultation with South Africans, the U.S. Country Team, and other donors on how USAID can be of greatest assistance in the coming years. All USAID programs in this sector, including government support activities, are carried out in partnership with NGOs. Because of these NGO partnerships and frequent consultations with relevant GNU officials, USAID receives continuing information from South Africans on the problems and assistance opportunities in the areas of elections, conflict resolution, community development, human rights, and public administration. USAID has initiated extensive consultation with stakeholders and other donors on our future strategy. Preliminary discussions have been held based on this Concept Paper. A more extensive formal participatory process, including several roundtable discussions with sub-sector role-players, on the democratic governance strategy will take place between now and when the Mission's CPSP is due.

3. Desired Results: Program Outcomes (End Points)

PO1.1 Capacity for Free and Fair Elections Institutionalized

One of the most basic challenges facing South Africa today is to create and strengthen its capacity to conduct free and fair elections. While the April 1994 national elections were successful in formalizing a political transition, South Africa still lacks the institutionalized structures to conduct future elections effectively. National and local structures to administer elections require strengthening, a permanent independent electoral commission does not exist. A permanent election structure for administering election son a non-partisan and non-political basis and permanent voter registration rolls have not been assembled. While voter education has made significant inroads, polls and sluggish registration rates for the local elections

indicate an incomplete understanding and mistrust of electoral processes among the population, including among conservative community-level leaders. We anticipate that the local elections will demonstrate the urgency of further efforts in this area to effectively prepare for the next national elections in 1999. USAID/South Africa is well-positioned to respond, due to our extensive experience in supporting the first national election and the local elections, and through established links with local South African NGOs and American PVOs that have worked on voter education and elections monitoring. Future U.S. assistance will involve some work with the GNU (especially on electoral organization and management) but will focus mainly on strengthening NGO capacity to be able to participate effectively in the electoral process.

USAID/South Africa anticipates that:

- By 2002, a permanent independent electoral commission will be established.
- By 2002, a "rolling" national voter registration system will be in place.
- By 2002, NGO participation in electoral administration and monitoring will be institutionalized.
- By 1999, registration and participation in the 1999 elections will be high and will represent all disadvantaged groups.

PO1.2 Capacity of Political Parties to Participate Peacefully in Political Processes Strengthened

Prior to the national elections, political competition was often conflict-based and violent. The new political parties representing the disadvantaged population are still not fully functioning organizations. They lack organizational and management capacity and capacity to raise and account for funds. Parties also lack key technical skills in platform development and policy analysis, and have limited experience in relating to and representing constituents. Disadvantaged parties are represented for the first time in parliaments at the national and provincial levels, and lack experience in legislative procedures. As in elections, USAID has existing mechanisms and relationships which allow us a comparative advantage in this area. Indeed, USAID's earlier political party training has generated requests for continued support. USAID will focus on training political parties representing the disadvantaged population in basic organization and management party building skills, effective constituency relations, policy development and analysis, and roles and responsibilities within parliaments. Party training will also emphasize issues of governance, political tolerance and conflict resolution at the local level in KwaZulu Natal and other regions. Finally, USAID will strengthen a sustainable capacity for party training both inside party organizations and in outside organizations.

USAID expects the following to be achieved:

- By 2000, institutionalized training capacity for party building and parliamentary

responsibilities established.

- By 2001, disadvantaged political parties play more effective role in parliament.
- By 1999, political parties demonstrate increased capacity in 1999 elections to conduct issue-based campaigns which indicate constituent input.

PO1.3 Access to Justice System Increased

South Africa is fortunate to have a basic system of justice which, in many respects, is of high-quality by developing country standards. Basic administrative structures are in place, and there is a cadre of trained judges and prosecutors within the country. The problems are inadequate representation of the majority population within that cadre, a legacy of apartheid laws and legal procedures, and lack of access to the formal justice system by disadvantaged South Africans. A network of informal "legal advice centers" is in place but still has limited coverage and is not recognized as legitimate by the official justice system. The GNU is committed to working with NGOs to restructure and reform the justice system. Limited funds and resistance to reform efforts within the existing civil service are an obstacle to wholesale reform of the judicial system. A comprehensive reform of the justice system, including personnel reforms, lies outside the scope of USAID capacity. While providing overall advice on the Administration of Justice (AOJ) reform to the GNU, USAID will target its efforts on building a cadre of black professionals (judges, lawyers, paralegals) and increasing access by the majority population to the justice system through specific legal reforms and the institutionalization of an effective network of advice centers and paralegal services offered through NGOs.

USAID expects the following to be achieved:

- By 1999, a critical mass of black professionals and training programs in place.
- By 1999, a functional and Ministry of Justice-recognized system of Advice Centers/Para-legal Services providing legal assistance to the poor.
- By 1999, specific legal reforms affecting access (i.e., fee structure) and equity (i.e., women's rights and juvenile justice) enacted.

PO1.4 Respect for Human Rights Reflected in New Constitution

South Africa is currently reforming its race-based constitution, with a new constitution to be enacted by 1996. That process is behind schedule, and has limited capacity to ensure effective and informed citizen input on human rights, especially women's rights, into the new constitution. The GNU is receptive to constructive input. USAID has a long history of support to key groups and effective NGO partners involved in constitutional reform, human rights and women's interests. We will support a high-level conference on human rights with international participation which will make recommendations on human rights to the Constitutional Commission, as well as a series of international and national workshops on

women's rights. In addition, we will provide financial support to a number of lawyers' groups working on both constitutional law and specifically the bill of rights.

USAID expects the following to be achieved:

- By 1997, a constitution and bill of rights containing meaningful protection for human rights and the rights of women enacted.

PO1.5 Capacity of Civil Society To Counterbalance and Oversee Government Strengthened

Even the most democratically-inclined governments have a tendency over time to centralize power and to infringe on the basic rights of citizens. Civil society in South Africa needs to develop a sustainable capacity to counter-balance the GNU, offer constructive alternatives, and play a "watchdog" function. This requires a capacity to provide policy information to the public, analyze public policy issues and provide an alternative to government approaches. In addition, there is a need to develop the organizational capacity among NGOs to monitor GNU performance, especially to protect fundamental human rights. While South Africa is blessed with an abundance of NGOs to play this role, many of them are heavily dependent on outside funds, and lack financial and technical sustainability. USAID will strengthen the capacity of NGOs to analyze public policy options, including strengthening public service information centers. USAID will support efforts of key civil society organizations, such as human rights monitoring groups, to become sustainable. USAID will favor NGOs that have reasonable chances of securing private sector and voluntary support, and will work with them on specific strategies for financial sustainability through local funding.

USAID hopes to accomplish the following:

- By 2003, sustainable capacity for policy information, analysis and debate established outside the government.
- By 2003, sustainable non-governmental groups to monitor GNU performance in human, civil and political rights.

PO1.6 Mechanisms in Civil Society to Provide Complementary Efforts to Government Strengthened

South Africa has one of the strongest NGO sectors in the developing world. NGOs are well placed to complement the GNU in key areas. Classic civil society functions both to balance and complement government by encouraging and enriching public debate on public policy issues and providing "services" which a government can not provide on its own. USAID support for NGOs and civil society has been a mainstay of the program and has produced outstanding results (including a major contribution to the leadership cadre for the new GNU). USAID will build upon and focus its past experience in leadership training, public policy analysis, and supporting fora for dialogue between NGOs and key political actors (including GNU, parliamentarians, and political parties) on sensitive public policy issues such as land

reform and labor-management relations. USAID will provide financial support and technical assistance for development, translation and publication of curricular materials for formal and non-formal education systems, including making programs such as "street law" widely available for out-of-school youth. We will support advocacy efforts for national adoption of "democracy and human rights" as a compulsory subject. Finally, USAID will support the dialogue between NGOs and the GNU as they try to formulate the new "rules" to govern NGO operations, and the broad interaction between GNU and civil society in South Africa.

USAID expects the following:

- By 2003, a series of public fora and continued dialogue on critical public policy issues, including land reform and labor are institutionalized.
- By 2002, national and provincial guidelines for NGO operations in place.
- By 2000, democracy and human rights instituted nationally as a compulsory subject at the primary and secondary levels.
- By 2002, sustainable programs of non-formal democracy education available such as "street law" available to critical sectors, including out of school youth.

FO1.7 Models of Effective/Efficient Provincial Government Structures Pilot-Tested

Basic problems of governance capacity exist at all levels of the GNU and in both executive and legislative arms. New legislatures are struggling to define their roles (especially at the provincial level). Newly elected officials are trying to transform administrative structures to respond to the new political priorities because: (a) One of the priorities of the RDP is to make public service more representative of the population; (b) Newly elected officials want to exert control over government budgets, programs, and implementation to re-direct them to RDP priorities; and (c) If the RDP is to be effectively implemented, the civil service has to be transformed from its current top-down, rule-following mentality to a culture that puts more emphasis on producing results, participation, and serving all groups.

USAID has decided to focus most of its interventions under this program outcome at the provincial level because the provinces have to be created anew out of the former provincial administrations. Because there will be more of a "clean sweep" of the old order, at least in the sense of breaking up the old structures in the provinces, USAID believes that the provinces have more potential for embodying the new political and program priorities of the RDP more quickly than national or local levels of government. USAID will provide in-depth governance assistance to 2 to 3 focus provinces and more limited assistance to the other 6 to 7 provinces. The goal of the in-depth assistance to focus provinces will be to develop models of democratic governance and effective RDP delivery, which hopefully will have some demonstration effects on the other provinces (supplemented by programs to share experience and lessons learned). A focus on 2 to 3 provinces was chosen because USAID's financial and management resources in governance are limited and because we believe in-

depth and sustained interactions are necessary to produce significant and measurable results.

USAID will also work at national and local levels with: 1) the national Ministries of Education, Housing, Trade and Industry, Health, and other relevant Ministries and Departments on policy and program issues, which over time will help transform these institutions administratively; 2) major municipalities on urban finance issues; and 3) the national parliament.

USAID hopes to accomplish the following:

- By 2002, in focus provinces, effective government delivery of services, civil services responsive to RDP priorities, effective community involvement in delivery of services, and NGOs cooperating with government in service delivery.
- By 2002, lessons of focus provinces replicated in other provinces.
- By 1999, national and provincial members of legislatures better able to represent constituencies.

PO1.8 Capacity for Public Service Training Institutionalized

The public service suffers from a chronic shortage of trained and/or experienced public sector leaders and managers from the majority population and from the political groups that are now in power. This is hampering the GNU's ability to re-direct policies and programs and limiting implementation of the RDP. The challenge is both short-term (to provide training and other short courses to improve management capacity) and long-term (to build the base of institutions producing new graduates who can form the backbone of the civil service in the future). In addition, government officials and legislators are struggling to cope with major new governance and policy challenges without the benefit of exposure to lessons and models from around the world (due partly to South Africa's past isolation and partly to lack of experience).

USAID will support: (a) faculty training, technical assistance, and exchanges for selected schools and institutes of government at Historically Disadvantaged Institutions (HDIs); (b) selective assistance to South Africa's Management and Development Institute (the GNU's national training organization) and the Institute of Local Governance (an NGO); and (c) professional exchanges for officials and legislators in economics, governance, public administration, labor, fiscal federalism, affirmative action, ethics and accountability, business development, etc. Achievement of this program outcome is linked to the Tertiary Education Linkages Project which supports the development of centers of excellence at HDIs that will be able to attract local resources. USAID will ensure that any assistance to government-run courses includes programs for building capacity in the government to ensure financial sustainability. Financial sustainability could be a problem for schools of government at HDIs. USAID will address this problem by: (a) encouraging linkages with government training that could be a source of revenue; (b) helping the institutions develop fund-raising strategies; and, (c) exploring options for endowments.

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USAID/South Africa anticipates that the following will be achieved:

- By 2005, nationally-oriented schools of government in place providing graduates to serve in the public service.
- By 2005, a network of HDIs and other institutions providing high quality training for national, provincial and local public servants and legislators.
- By 2001, a critical mass of South African officials and legislators exposed to new policy and management ideas.

**PO1.9 Civil Society Capacity for Non-violent Social Change
Strengthened**

Apartheid created a climate of conflict and opposition because it dealt with the unequal distribution of power and resources. Correcting the inequities of apartheid is also an inherently conflictual process as it deals with the redistribution of power and resources. USAID/South Africa, thus, will continue supporting a number of programs to address the substantial levels of conflict, violence, and disputes. Programs will include mediation and conflict resolution training for labor specialists, community specialists, members of civil society, professionals such as teachers, political organizations and paralegals in advice centers. In addition to mediation and conflict resolution training, many programs have been and will continue to be developed to address the mitigation of violence. These activities mediate disputes, reduce the spread of violence, and attempt to address the structural causes of violence. There are many types of mitigation programs but nearly all have a fast response/emergency program component as well as long-term problem solving mechanisms. USAID/South Africa has also supported and will continue to support, albeit at a decreased level, the development of the capability for mediation of labor disputes throughout South Africa. Also as part of the labor mediation programs, mediation information and technical resource centers have been developed and mediators continue to be trained. By developing the capacity and structures for conflict resolution and mediation in South Africa, USAID will not only be contributing towards creating a more stable environment but will also contribute towards constructive engagement between civil society and the GNU.

USAID/South Africa anticipates that the following will be achieved:

- ● By 2003, conflict mediation, resolution, and prevention efforts instituted in critical sectors and key communities.
- By 1999, labor mediation and conflict mediation efforts institutionalized in key sectors.
- By 2000, sustainable systems for labor mediation functioning to reduce labor conflict and settle disputes.

B. SO 2. To Support the Development of Policies, Systems, and Capacities for the Integration of the Education System

1. Rationale

The relevance of SO 2 to the Mission's goal of sustainable transformation is clear. Without improvements in the majority population's educational level, long-term gains in economic growth and equity will be limited. USAID/South Africa's programs under SO 2 will address tertiary education, targeted areas in human resources development, and basic education. SO 2 contains three elements essential for the transformation and improvement of South Africa's public education system -- policy reform, establishment of systems to execute policies, and capacity building. The integration of the educational system assumes improvements in quality, equity, access, and cost-efficiency.

USAID's involvement in South Africa's education system is essential to the United States Government's support for sustainable transformation. Tremendous social, economic, and political disparities have been created and perpetuated by the apartheid system. In order to narrow this gap, and for meaningful participation by the majority population in matters that affect their lives, a minimum level of education is required. While achievement of this objective is a long-term goal that will require fiscal resources beyond those USAID can contribute, focused, targeted, and select interventions are needed now to assist the GNU to embark on this important task in a comprehensive manner. Failure to participate in assisting this sector would (a) endanger other USAID/South Africa interventions by limiting their potential population coverage and their chances for sustainability and (b) prolong the timeframe in which the majority population can be expected to gain political, economic, and social parity. In addition to building on results accomplished with USAID assistance, the U.S. has much to offer in helping to re-design the South African education system. The "equal educational opportunity" characteristic of our system, the qualitative aspects that can be adapted here, such as student-centered methodologies, our experience in harmonizing the various educational systems at the state, county, or city level, can be useful in South Africa.

USAID/South Africa's strategic objective of supporting the development of policies, systems, and capacities for the integration of the education system is closely tied to supporting the economic, political and social empowerment of the disadvantaged majority population. There is a strong link between this strategic objective and those of democracy, health and economic growth. An educated citizenry supports the economy and helps to increase productivity and employment. As a culture of learning is restored and takes root, participation in civil and democratic society improves. As education levels improve, per capita income rises, child survival rates improve, and productivity improves. With improved literacy and numeracy skills and a higher pass rate among students, opportunities for skills-based growth in the overall South African economy also improves.

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2. Strategy

Prior to May 1994, USAID could not work directly with the GNU; it could not enter into dialogue directly advocating changes of policy. The alternative was to work with NGOs to develop models for the majority underserved population. In addition to the direct impacts on educational equity, this strategy has provided models for the larger education sector as conditions for replication (e.g., government structures, facilities, trained personnel, and funding) become more favorable. The educational materials, practices, and methodologies developed over the years will provide a base for the GNU efforts to cope with pressures to address underserved populations.

Short-term, immediate interventions are envisioned in a strategy which emphasizes support to NGOs to enable them to provide tested services and products to the GNU and provincial governments. To complement this effort, USAID will provide support to the national and provincial governments in matters related to policy formulation, performance planning, and implementation.

This new emphasis and direction will be sustainable since the "products" promoted are policy and methodological changes which, when implemented, will utilize existing resources. South Africa allocated a total of Rand 27.26 billion (US\$ 7.78 billion) for education in 1993/94, which represents 21.4 percent of the GNU budget, or 7.3 percent of gross domestic product. This level of funding for education is within the upper range suggested by organizations such as UNESCO. USAID's interventions are aimed at helping to guarantee that these resources are utilized more equitably, effectively, and efficiently.

While the unequal access to education in South Africa is race-based and not gender-based, we will help to ensure, through our policy and implementation discussions, that empowering girls through education remains on the GNU's agenda. Moreover, we will help ensure that women who apply to our participant training programs consider careers in fields that are not traditionally associated with women. And, we will pursue the idea broached by some HDIs of implementing a women's center for studies in higher education.

Participation: By design, USAID/South Africa's program management approach has included NGO and community-based capacity-building. In the post-elections era, this effort has led to substantial NGO, both U.S. and South African, willingness to assist the GNU with the integration of the education system. NGOs are now poised to provide tested educational practices, services, and products to help "kickstart" the GNU's educational agenda. USAID/South Africa's investment in human resources development and partnerships with NGOs have built trust and solid relationships with the new GNU leaders. The GNU and provincial governments have requested USAID assistance in the fields of policy analysis, strategic planning, and financial management. In tertiary education, the Commission on Higher Education, building on existing relationships with USAID, has requested help to facilitate the drafting of a blueprint on higher education. The NGO community has requested assistance in addressing important issues such as sustainability, marketing services to the GNU, and reorganization and amalgamation.

USAID/South Africa has actively collaborated with the larger donor community. The Donor Coordination Group, which meets approximately every second month, includes the European Union, Great Britain, Canada, Germany, Japan, the World Bank, UNDP Liaison Office, Sweden, and the Ford Foundation. In addition to discussing sector and sub-sector assistance provided by each donor, experiences and problems are shared. The group meeting is an effective forum for discussing issues of common interest, such as the RDP, the national literacy campaign, the culture of learning issue, and prioritizing responses to the needs of the Ministry of Education. Future efforts to enhance collaboration will include increased contact with the private sector which already occupies a seat in the tertiary education advisory group, the civil service commission and other governmental agencies impacting human resources development in the country, the academic community, and large government parastatals which function like donors (such as ESKOM, the national electric utility company).

3. Desired Results: Program Outcomes (End Points)

PO2.1 Establishment of Systems to Manage National and Provincial Education Services Assisted

The present education crisis in South Africa is the result of an apartheid system which allocated resources along racial lines and which resulted in an education system composed of 19 education departments: one national and four provincial departments for whites; one for Asians, one for Coloreds, and one in each of the ten homelands, plus the Department of Education and Training (responsible for education outside the homelands) and the Department of National Education (which was further decentralized into eight regions). To integrate the educational system requires getting rid of redundant institutional structures and harmonizing the disparate units into a system with equal access for all, as defined by the Interim Constitution. As requested, USAID is assisting the GNU by funding research and providing technical assistance in critical areas, such as, revenue generation, budgetary matters, planning, and educational governance.

USAID anticipates the achievement of the following:

- By 1998, policies to define national vs. provincial responsibilities established and implemented.
- By 1998, system for program performance planning established.
- By 1998, human resource capacity at national and 4 provinces to implement policy reform developed.

PO2.2 National and Provincial Systems for Basic Education Strengthened

To facilitate implementation of educational policies the GNU is developing national and provincial systems for basic education both of children and adults. Standardization measures, mechanisms to monitor systems input, achievement of results, and educational impact are

being established by the GNU. Some of USAID's basic education activities have produced demonstration projects and practices, pilot academic structures (systems), and quality-model curricular materials that are non-racist and non-sexist curricula and which foster a culture of teaching and learning. These systems are being considered by the GNU for nation-wide implementation.

USAID anticipates the achievement of the following:

- By 1999, national basic education systems transformed.
- By 1999, national norms and accreditation and certification standards established in critical areas such as adult basic education, literacy and numeracy, teacher qualifications, and curricular and testing standards.
- By 1997, a national framework for the provincial delivery of revised curriculum for adults established.
- By 1997, a system of impact evaluation established.

PO2.3 Proven Basic Education Models Disseminated

During USAID's first 10 years in South Africa, substantial investments were made in supporting indigenous NGO initiatives which pilot-tested and evaluated improved models and alternative delivery mechanisms for basic education for disadvantaged South Africans. The models now have the potential for wider dissemination to lead the transformation of educational content and delivery systems. Two factors make this possible. First, there is widespread agreement about the need to open up access to education and to allow learners mobility between formal and informal education through standardized certification and validation. Second, there is a growing awareness that traditional delivery mechanisms alone cannot begin to address the education crisis. Distance education programs by radio, television and print, pioneered by NGOs with assistance from USAID, has opened access to large numbers of educationally disadvantaged South Africans. Recognizing the potential of media as a tool in education reconstruction, the GNU has incorporated distance education as an integral part of a cost-effective education system. Models in English language instruction and science education, funded by USAID, are now planned to be distributed nationally through television, radio and newspapers, to reach a potential audience of millions of South African learners. Models in early childhood development and mathematics education are also being refined and it is anticipated that these proven and accepted models will also be disseminated nationally through distance education as well.

USAID anticipates achievement of the following:

- By 1998, pre-tested distance education models and curricula disseminated nationally.
- By 1998, proven and effective models in Maths, Science, Early Childhood

Development and English disseminated.

PO2.4 Systems and Institutions for Further Education (Beyond High School but Below University or Technikon) Improved

USAID/South Africa's attempt to assist in the transformation of South Africa's educational system must take account of the majority population's vigorous opposition to the apartheid system. In the process of this struggle for democracy, millions of students became conscientious objectors to a system created to perpetuate the *status quo*. These former students are now ill-equipped to achieve political, social and economic empowerment. Our program aims to strengthen service delivery systems and models that help bridge the gap in educational opportunities for these students. NGOs have requested assistance in the provision of counseling services, remedial education, academic studies financing schemes, and leadership and technical training. Present areas of emphasis are aimed at consolidating services, increasing management efficiency, and introducing proven models to provincial governments for possible replication.

USAID anticipates achievement of the following:

- By 1997, a blueprint for the transformation of Further Education to include financing, curricular development, and national standards developed.
- By 1999, national plan for community college system approved.
- By 1999, community colleges operational in 3 provinces.
- By 1999, a national outreach network for career guidance and student and community support functioning.

PO2.5 Historically Disadvantaged Institutions of Tertiary Education (Universities and Technikons) Strengthened and Rationalized

The Tertiary Education Linkages Project (TELP) is the main vehicle by which USAID will provide assistance in tertiary education. TELP was designed to assist in the transformation of historically disadvantaged tertiary education institutions (HDIs) in South Africa. TELP will provide targeted assistance to HDIs in the areas of policy analysis and planning, as well as capacity building and development. The strengthening of tertiary education in South Africa is one of the keys to unlocking the human resource potential of this country and to empowering the majority population to drive the reconstruction and development process.

The primary goal of TELP is to increase access by disadvantaged South Africans to tertiary education opportunities and resources while improving academic, administrative, and research capacity in HDIs. The HDIs targeted for assistance under the TELP project are those that train the large majority of disadvantaged tertiary-level students. TELP will help institutions establish strategic plans and strengthen targeted academic disciplines through

professional development, student academic support, career counseling, research skills, and the provision of a limited amount of equipment and supplies.

USAID anticipates achievement of the following:

- By 1997, a blueprint for the transition of Higher Education to include financing, curricular development and national standards developed.
- By 1997, a formula to distribute resources equitably to HDIs established.
- By 1997, academic programs at HDIs are more responsive to market demands.
- By 2000, Centers of Excellence at HDIs are strengthened and are addressing critical developmental needs (e.g., research center, women's center, student support center, economic policy center, schools of government).

PO2.6 Capacity of NGOs to Impact National and Provincial Education Systems Strengthened

Over the past decades of government neglect, the education NGO sector has played a crucial role in developing viable alternative education models. These concepts have been subjected to various consultative planning processes and further refined. Many have been adopted for implementation at both the national and provincial level.

Particular examples of valuable NGO expertise exist in the areas of curriculum, materials, and assessment. These contributions have proven to be invaluable for setting the standards for systems strengthening. It is crucial that assistance to those NGOs which help influence the systems policy through these contributions be continued. Capacity needs to be maintained and strengthened within the NGO sector to ensure complementarity of educational service delivery.

USAID anticipates NGO achievement of the following:

- By 1997, a system to link RDP Office, national and provincial Human Resources Development Departments, and NGOs improved.
- By 1997, a system for program performance planning established to link NGO results to the GNU's performance evaluation.
- By 2004, human resources capacity of selected NGOs developed.

**PO2.7 Substantial Number of Disadvantaged South Africans
Trained and Educated**

To the GNU, human resources development is of utmost importance. President Mandela attested to this fact in his recent message to the International Donor Conference on Human Resources Development:

It is both timely and appropriate that the first ever donor conference in a democratic South Africa should be about human resources development. Nothing demonstrates the ravages of apartheid more than the deliberate denial of opportunity to the majority, and black youth in particular. Inevitably, this has stunted the intellectual prowess and productivity of the nation as a whole. [In reference to the RDP]... none of the intentions to deliver basic needs are capable of attainment without skilled human resources....it is for this reason that human resources development forms a central part of RDP implementations.

In theory, support of human resources development is implied in all the program outcomes (end points) of all strategic objectives discussed in this paper. In reality, human resources development stands out as a need to be addressed on its own due to the need to have majority population representation in all levels of decision-making and in all pertinent fields. This emphasis is not only an affirmative action strategy, having merit on its own; it is also important to ensure that the needs of all segments of South Africa's population are heard and addressed. Human resources development may be USAID/South Africa's single most important emphasis. Only with increased human capacity can a transformation to sustainable development be accomplished.

USAID anticipates achievement of the following:

- By 2000, 660 disadvantaged South Africans have completed a degree program in the United States, with academic focus in fields critical to South Africa's development.
- By 2004, 2,240 disadvantaged South Africans have received short-term technical training in the U.S. or third countries.
- By 2004, 4,850 disadvantaged South Africans have received short-term technical training in South Africa, or have participated in conferences and workshops dealing with critical policy and management issues in development.

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C. SO 3. To Increase Opportunities for Access to and Ownership of Assets by Historically Disadvantaged South Africans While Supporting the Necessary Overall Economic Growth and Development to Make This Possible

1. Rationale

Sustainable economic transformation requires changes in the policy environment, more effective organizations, and increased access to capital. In South Africa these changes will enable the historically disadvantaged community to achieve increased ownership of businesses and of shelter accompanied by improved levels of urban services.

The challenge is to find ways to expand access and opportunities while at the same time promoting reforms that are necessary to increase and sustain economic growth. Access to and ownership of assets has been identified by both historically disadvantaged South Africans and USAID/South Africa as one key way to expand overall economic opportunities, primarily through the efforts of the private sector -- as opposed to increased public sector efforts. One of the keystones of the apartheid system was the series of laws that prohibited ownership of key economic goods and limited access to public sector financial services by the majority population. When accompanied by a lack of basic social services in areas designated for the majority population, the result was an acute absence of asset ownership among the disadvantaged majority and their economic marginalization. A focus on the use of the private sector to increase opportunities for access to and ownership of assets allows USAID/South Africa to both assist in addressing the immediate problems of the legacy of apartheid and also to contribute to longer-term economic growth based on a limited role for the public sector and improved productivity.

Possibly the most serious problem faced by the economy in South Africa is the distortions resulting from apartheid that are clearly manifested in gross inequality in incomes. The economy also faces related structural problems that constrain overall economic growth. The commitment to market economic principles and excellent physical and financial infrastructure provides a solid foundation for addressing the problems of inequality and growth. A focus on the use of the private sector to increase access to and ownership of assets, thus, becomes a critical element in addressing the problems of the past in ways consistent with overall economic growth. Economic growth that significantly increases new assets is, therefore, a necessary but not sufficient condition for sustainable economic empowerment of the majority disadvantaged South Africans. For many historically disadvantaged South Africans, their most important asset is their shelter. Specific programs that increase their access to services like water and electrification increase the value of this asset while addressing significant urban environmental issues. Because of this, references to access to assets include urban environmental services and municipal level structures which are responsible for their delivery.

The Mission's third strategic objective aims to extend economic benefits to the majority population through: (a) increased majority ownership of businesses; (b) increased ownership of shelter accompanied by improved levels of urban sector services; and (c) support of

overall economic growth.

2. Strategy

The USAID/South Africa strategy is consistent with the Agency's guidance that economic growth must be rapid, broad-based, sustainable, environmentally-sound, and participatory. The South Africa situation, however, requires special attention to making economic growth broad-based and participatory. Political stability resulting from broad-based and participatory economic growth is necessary if economic development is to be sustainable in South Africa.

Three broad areas for support have been identified by USAID: strengthening markets, investing in people, and expanding access and opportunity. In South Africa at this time, the most critical of these three basic areas is expanding access and opportunity. Limited USAID/South Africa resources will mean that support for strengthening markets and investing in people will be relatively limited.

Specific constraints can be identified that limit asset ownership by historically disadvantaged South Africans. The USAID/South Africa's economic development strategy is to better identify these constraints and to work with South Africans to begin the process of easing key constraints through the use of Agency expertise, grant funds, and credit guaranty for:

- a. Funding for models, especially of private sector and shelter finance that have widespread applicability and widespread effects;
- b. Identifying and disseminating lessons learned;
- c. Leveraging USAID/South Africa resources against other local and international sources of funding and helping others to leverage their resources;
- d. Training where lack of skills is the limiting factor for increased asset ownership; and
- e. Increasing access to U.S. and local technical assistance.

The USAID/South Africa economic empowerment strategic objective evolved from past activities of the Mission in this area. In contrast to the activities related to the strategic objectives dealing with democratic institutions and education, the activities relating to economic development were largely designed after the political transformation of South Africa was assured. Thus, from the beginning, these activities focused on a post-apartheid South Africa. The design and implementation of most of these activities, based on unsolicited proposals by local NGOs, provided the Mission with input from beneficiaries and direction from participants on what they thought was critical. By the time the political transformation actually occurred in 1994, there was already a strong focus on ownership in both private sector and housing and urban development activities. The relevance of this focus has been subjected to additional analysis and discussion with South Africans, as both the Private Sector Development Division and the Housing and Urban Development Division

have worked on the design of new activities and on the preparation of specific strategies for their sectors.

A fundamental strategy of SO 3 is the integration of the use of DFA and HG funds to leverage resources for housing and related services for disadvantaged South Africans. Currently, a \$75 million HG is being used to leverage private sector resources for mortgages to low-income households. A second \$75 million HG, intended for an even lower-income group, is planned for FY 95. A third HG for \$50 million is planned for FY 96 for municipal environment infrastructure. Every HG dollar leverages two dollars of domestic private sector resources. These guaranty programs combine formal sector South African financial institutions with voluntary community-based organizations and black businesses to provide both shelter and related infrastructure, such as water and electrification. These programs also increase majority-owned and managed businesses and employment opportunities, as well as provide models of the use of public resources to leverage private resources for development.

The SO 3 strategy explicitly addresses issues of gender bias through disproportionate assistance to female-headed micro and small enterprises and through efforts to make female-headed households a specific target in the work with institutions that provide capital for ownership.

Participation: The economic empowerment strategic objective has been shaped over time by input from three different sources: (a) input resulting from the implementation of USAID/South Africa-funded activities, including contact with governmental agencies, academic institutions, NGOs, and other institutions, as noted above; (b) input on the strategy explicitly requested from South Africans; and (c) input from contact with other donors. The program in the housing and urban development sector has been heavily influenced by consultation with the participants in the South Africa Housing Forum, a broad-based advisory group that includes representatives of the building industry, housing professionals, the civic movement and the private sector. USAID/South Africa has had varying amounts of direct contact and input from 64 community-based, grant-funded projects. Focus-group interviews on the direction of USAID's private sector program have been conducted with individual private businesses, business leaders, business groups (including chambers of commerce), and NGOs (including organizations involved in providing support to businesses). Input on the overall economic development strategy has been regularly obtained from recognized leaders of the historically disadvantaged community, with special attention to individuals who have not been previously involved in USAID-funded activities. The overall strategy for economic empowerment will be subject to formal validation by the community over the next several months.

Donor consultation has provided additional input. For the last 12 months, USAID/South Africa has chaired the South Africa Donor Group on Housing and Urbanization which meets periodically to discuss donor activities. This group has had joint sessions with the RDP Office. USAID/South Africa participates in a regular meeting of donors, chaired by the Ministry of Trade and Industry, to discuss the relationship of donor assistance to the GNU economic development programs.

3. Desired Results: Program Outcomes (End Points)

PO3.1 Quality of Public Debate on Economic Policy Issues Improved Through Functioning Economic Policy Forum Addressing Economic Growth Issues

Policy changes, significantly stronger organizational structures, and greatly expanded access to the capital required for ownership are necessary conditions for sustainable transformation in the area of access to and ownership of assets. In the past, two conditions characterized the economic policy -- the exclusion from participation in policy formulation by the majority population and the use of policy to exclude the disadvantaged majority from participation in the economy, including specific policies that prohibited or limited certain types of ownership. Instead of focusing on the identification of a USAID/South Africa policy agenda, the focus is on expanding participation and using our resources to enrich the dialogue. Given the tradition of strong central over-planning of the economy, present in both the former government and in the ideological background of the new government, a major effort will be made to advance the ideas of limited central planning and expansion of decentralized planning with a strong role for NGOs. In the transformation of the policy and regulatory environment from one which served as a handicap to majority participation in the economy into one that is responsive to their needs, our plan is to catalyze increased and more representative involvement of the business community, labor, and government to actively address economic growth issues.

USAID plans to contribute to the achievement of the following:

- By 1996, policy dialogue underway on the limited and appropriate role of public sector planning in a decentralized market economy and on improving South Africa's international competitiveness.
- By 1997, policy dialogue benefiting from the input of a sustainable, independent economic think-tank.
- By 2002, policy dialogue benefiting from the participation of the graduates of an HDI center of excellence in economic policy.
- By 2004, policy dialogue benefiting from the participation of at least 40 historically disadvantaged South Africans with graduate degrees in economics with policy orientation from U.S. universities.

PO3.2 Quality of Public Debate Improved Through Functioning Policy Forums Addressing Policy and Regulatory Constraints to Increased Ownership of Businesses by Historically Disadvantaged South Africans

Under apartheid, business groups that represented historically disadvantaged South Africans were explicitly excluded from the policy dialogue process. In addition, government policies

were actually used to weaken such organizations.

USAID/South Africa's plans to contribute to the following achievement:

- By 1997, business organizations strengthened and actively involved in representing the interests of private businesses.

PO3.3 Quality of Public Debate Improved Through Functioning Policy Forums Addressing Ways to Maximize the Role of the Private Sector in Providing Shelter and Urban Services for Low-income, Historically Disadvantaged South Africans

The most critical policy issue facing the shelter and urban services sector is the relative role of the public and private sectors. The assumption has often been made that only the private sector can provide shelter for low-income disadvantaged households. There is a critical need to convince policy makers of the role that the private sector can, and must, play in this area. At the same time, there is a need for broad-based participation in the formulation of the policies that make private sector participation economically viable.

USAID plans to significantly contribute to this effort:

- By 1997, policy dialogue on the role of the private sector in providing shelter for low-income families benefiting from the experience of USAID/South Africa programs in this area.
- By 1998, organizations representing owners of houses, as well as providers of shelter and related urban services, strengthened and better representing the interests of their constituents.

PO3.4 Access to Capital for Expanded Ownership of Business by Historically Disadvantaged South Africans Increased Through Strengthened Financing Mechanisms and New Structures for Expanding Ownership

Improved policy and stronger organizations will not translate into increased ownership of business by the historically disadvantaged South Africans, unless the capital resources are also made available. For the private sector to play the role that it must play in expanding access to capital, three conditions need to be met. The private sector must be convinced that its risk estimates have been too high and its estimates of profit potential have been too low. New structures need to be developed that provide for both retail credit and intermediate credit to retail credit providers along with new ways of expanding ownership. Finally, the majority population needs targeted assistance in applying for and obtaining access to business credit.

USAID expects to achieve the following:

- By 1996, micro and small enterprises accessing commercial credit based on sustainable mechanisms initiated by USAID loan guaranty facilities.
- By 1997, small and medium enterprises accessing capital with the assistance of sustainable new advisory services initiated by USAID from regional and international enterprise funds.
- By 1998, Employee Stock Ownership Plans introduced as a means to broaden ownership.

**PO3.5 Access to Capital for Expanded Ownership of Shelter by
Historically Disadvantaged South Africans Through
Strengthened Financing Mechanisms Focusing on the Role of
the Private Sector**

Improved policy and stronger organizations will not translate into increased ownership of shelter, along with environmentally-sound urban services, by the historically disadvantaged South Africans, unless capital resources are also made available. For the private sector to play the role that it must play in expanding access to shelter capital, three conditions need to be met (similar to those for business ownership). The private sector must be convinced that its risk estimates of risk have been too high and its estimates of profit potential have been too low. New structures need to be developed that provide for both retail and intermediate credit, along with new models for local government accessing private sector resources for environmentally-sound urban services. Finally, the majority population needs targeted assistance in applying for and getting access to shelter credit.

USAID plans to contribute to the achievement of the following:

- By 1997, low income families availing of both short-and long-term financing for housing from commercial banks.
- By 1997, very low income families availing of financing from non-traditional sources of credit for shelter, including "community" banks and other "retail" outlets.
- By 1997, expanded access to construction credit by contractors from the historically disadvantaged community.
- ● By 1998, newly organized, racially inclusive local governments accessing private capital and other resources for urban development.

PO3.6 Institutional Capacity to Facilitate Expansion of Ownership of Business Assets by Historically Disadvantaged South Africans Strengthened

The policies of the former government in South Africa were designed to prevent disadvantaged organizations, especially organizations representing business interests, from working with each other and to exclude their participation in policy areas. The involvement of many of the organizations in the struggle against apartheid, and their dependence in some cases on outside assistance, has not always prepared these organizations for their new role in representing the disadvantaged majority population and effectively promoting the economic interests of this group. Government organizations have tended to be more paternalistic and less participatory, which is not consistent with the objectives of the new GNU. Structures have not been put into place that encourage for new forms of ownership of assets, such as, affirmative procurement, franchising, and privatization. Our plan is to work with business organizations, professional organizations, NGOs, and public sector structures that support private sector business working to overcome the legacies of apartheid. Our assistance is focused and designed to produce results that are sustainable and are independent of long-term, outside assistance.

USAID plans to contribute to the achievement of the following:

- By 1996, a limited number of sustainable and more effective organizations providing services to small and microenterprises.
- By 1997, structures functioning that provide the benefits of unbundling and privatization to historically disadvantaged South Africans.
- By 1998, sustainable structures in place for assisting historically disadvantaged South Africans take advantage of opportunities resulting from franchising.
- By 1997, business chambers providing limited assistance to enterprises owned by historically disadvantaged South Africans in response to affirmative procurement programs.
- By 1997, structures strengthened that permit historically disadvantaged South Africans to take advantage of increased U.S. trade and investment.
- By 1998, sustainable structures functioning that provide disadvantaged South Africans with access to the best of international experience and technologies related to international trade development.

PO3.7 Institutional Capacity to Facilitate Expansion of Ownership of Shelter Assets by Historically Disadvantaged South Africans Strengthened

The strengthening of three broad areas of organizations related to shelter and urban services delivery is critical if the historically disadvantaged South Africans are to play the lead role in finding sustainable solutions to key problems. Previous work on helping to establish professional organizations must be intensified to help these organizations become sustainable. The ability of community-based organizations to participate as full partners with the GNU must be improved. Finally, there is a need to provide convincing evidence of the role that local governments can, and must, provide in planning and implementing environmentally-sound urban services delivery.

USAID plans to contribute to the achievement of the following:

- By 1996, a limited number of more effective and sustainable professional organizations providing skills training and planning for housing and urban infrastructure delivery based on environmentally-sustainable principles.
- By 1997, the planning, project design, and implementation capacity for service delivery of community organizations strengthened.
- By 1998, the planning, project design, and implementation capacity for service delivery of a limited number of strategic local governments strengthened.

D. SO 4. Support the Development of a Unified System to Provide Integrated Primary Health Care Services to Underserved Populations

1. Rationale

The RDP emphasizes that its first priority is to begin to meet the needs of people in eleven programmatic areas, including health care. In the health sector this requires developing and implementing programs to provide access for all to affordable health care.

In the most recent GNU health sector policy formulation (October 1994), the majority of the priority action areas respond to the constraints that have produced inequities and inefficiencies in the health care system, and focus on plans to restructure and rationalize the present system. Through extensive dialogue with the GNU USAID/SA has identified those areas of highest priority to the GNU that coincide with USAID priorities and areas of comparative advantage, and that are not already being supported in a major way by other donors. As a consequence, the GNU and USAID mutually agreed that USAID's new health sector initiative, Equity in Integrated Primary Health Care Project (EQUITY), should support those GNU priorities which focus on (a) leveraging the GNU's efforts to restructure and unify its national health system, and (b) developing and implementing an integrated primary health care (PHC) program that incorporates USAID's highest-priority interventions. The EQUITY Project will also emphasize strengthening intersectoral linkages between the health

system and areas such as water, sanitation, housing, education, and transportation -- all of which directly impact on health status and indirectly on the effectiveness of the national health system.

The EQUITY Project has been specifically designed to accomplish SO 4. The design has carefully incorporated USAID's recently formalized agency strategy in population, health and nutrition (PHN) (February 1995). USAID's three broad strategic priorities are summarized as follows:

- Promoting the rights of couples and individuals to determine freely and responsibly the number and spacing of their children, and addressing unmet need for contraception through comprehensive, effective, affordable and high-quality family planning information, education and communication (IEC) and service delivery systems which are responsive and accountable to the end user;
- Improving public health and reducing high levels of child mortality through key preventive and child survival information and services, especially among high-risk families and neglected girl children; and
- Developing appropriate responses to needs, particularly among women and young adults, for reproductive health care, including maternal health and safe motherhood, treatment for serious complications of unsafe abortion, control of sexually transmitted infections, including prevention of HIV infection, and prevention of female genital mutilation.

In addition, USAID's PHN strategy states that while the primary focus of PHN sector activities is generally on services, USAID does not directly provide these services. Rather, we sponsor interventions to improve the capacity, infrastructure, systems, and policies which support these services in a sustainable way. Thus an important, overarching objective for USAID efforts in sustainable development is to build national human, technical and institutional capacities. The strategy considers this to be an essential supporting activity. This includes sustained support to private- or public-sector institutions, investments in human resources, and nurturing indigenous technical capacities to develop and carry out programs. The EQUITY Project, and in turn SO 4, reinforce all of these key elements of USAID's current PHN strategy.

Furthermore, USAID/South Africa's rationale for supporting the development of an integrated PHC system rather than specific health interventions is not only based on the fact that such a system is an important GNU priority, but also on lessons learned from health and child survival programs elsewhere in Africa. USAID's child survival strategy of the 1980s, which was based largely on selective PHC services, was only a qualified success. The principal lesson learned is that such interventions cannot be sustained without a functioning health system. The institutional analysis for the EQUITY Project strongly supports this view by stressing that "a working health system will enable clinical program success and not vice-versa," and that "until a new system is in place and until new managers have direction, there is unlikely to be [positive change] at the service delivery level."

2. Strategy

The EQUITY Project will take a capacity-building and systems development approach in assisting the GNU to change and strengthen its national health system so that quality, essential services are accessible to all South Africans -- especially those who are underserved. To accomplish this the EQUITY Project will concentrate support initially in a single province (the "focus province")⁴ in order to have sufficient resources both to develop the system and to make it fully operational. The national scope of the project will be achieved by intensive coordination both among all nine provinces and with the central Department of Health (DOH) to ensure that sharing "lessons learned" and replicating effective systems will proceed rapidly throughout the country.

The EQUITY Project is unique in being the first project designed to fully achieve a strategic objective, but also the first major USAID/South Africa bilateral project with the GNU. Both the GNU and USAID/South Africa understand the critical role that NGOs played in developing alternative health services under apartheid, and the necessity of continuing NGO support to augment GNU capabilities in the short- to medium-term future. Thus, a portion of EQUITY Project resources will be targeted at key NGO interventions both in broad PHC services and in critical HIV/AIDS program elements.

SO 4 will have a major impact on South African women, especially among the underserved population. First, the majority of clients of PHC services are women who will benefit directly from improved basic health care services, as well as indirectly from the improved health status of their children. Second, SO 4 will have a major impact on building women's capacity -- increasing the capacity not only of female health workers (who are in the majority) through training, but also of community-based women who will be empowered to improve their status and the quality of health care through community health development activities. Finally, even programs specifically targeted at men will directly benefit women; for example, programs to encourage men to use family planning methods with their partners, and programs to encourage the use of safe sex to prevent HIV/AIDS and other STDs.

Participation: Participation of stakeholders in the EQUITY Project design has been a critical element of that process. Early in the PP design process USAID/South Africa began to hold weekly EQUITY progress meetings with the DOH to achieve consensus not only on project focus and content but also on how the design process would be carried out. As a result, the major elements of the design process included (a) an initial, one-day national-level project design workshop that involved national DOH officials, representatives of the nine provinces, and relevant NGO and donor representatives; (b) participation of both DOH and focus province officials in intensive consultations and field visits -- both in the focus province and

⁴ The Eastern Cape Province was selected by the Department of Health as the focus province, based on the following mutually agreed criteria: That the focus province will (1) be representative with respect to key factors (e.g., urban vs. rural balance, general level of development, population density); (2) have a sufficient level of physical and human resource infrastructure in place to ensure that project implementation will not be unduly hampered; (3) have a supportive administrative structure (e.g., new provincial management structure in place and key positions filled); and (4) need the capacity-building support that the EQUITY Project will provide.

elsewhere -- as the PP was drafted; (c) follow-up workshops (involving the same stakeholders) to obtain detailed feedback leading to a final PP draft; (d) further participation of focus province stakeholders through the use of focus group discussions and a work session with both government and NGO health service providers; (e) the development of a focus province EQUITY Steering Committee; and (f) joint review of the final draft to ensure full agreement by both the GNU and USAID/South Africa. This extensive and intensive participation of relevant parties in the EQUITY Project design process has led to a PP -- and thus a strategy for SO 4 -- that represents mutual agreement on the project purpose and outputs, as well as on major project interventions and implementation steps. Without this collaboration, both the design process and its positive outcome would have been much more difficult to achieve.

At a different level, USAID/SA has invested considerable time and effort with other relevant donors in the health sector to ensure that donor resources are effectively coordinated. USAID/SA's initiative with these key donors -- especially the European Union, British ODA, the World Bank and UNICEF -- has been instrumental in achieving this objective. Collaboration has included not only the more usual donor-only and donor-with-government meetings, but also coordinated, short-term TA visits to develop plans for linked activities. This close working relationship among donors in the health sector will have a major impact on the effective use of both donor and GNU resources.

Early implementation support. In view of the fact that EQUITY will not likely begin full implementation until mid-1996 when the TA contractor is in place, the GNU and USAID/SA have identified several high-priority activities that should be initiated before that time in order to lay the foundations for more rapid implementation later. These activities, termed "bridging activities," are being supported by the Global Bureau's field support funds and will not draw on EQUITY Project funding. Approximately \$2.8 million of Global field support has been made available in FY 95, and a like amount is anticipated in FY 96. The bridging activities which are being supported during 1995-96 are: (1) a nationwide demographic and health survey (DHS); (2) a national-level health system situation analysis; (3) development of an in-service training program in integrated primary health care for rural nurse clinicians; and (4) development of an in-service management training program for health professionals. Both the DHS and the situation analysis will oversample in the focus province, so that additional analyses will be available both to serve as a project baseline and to provide current information for project planning and implementation under EQUITY. All of these bridging activities are being developed and implemented to ensure that they provide continuity with similar activities that will continue under EQUITY.

The EQUITY design incorporates two phases. Most project outcomes are targeted initially at the focus province, and generally will be accomplished within the first four years under Phase 1 (1995-99). However, the design also incorporates intensive involvement of both the national Department of Health (DOH) and all nine provinces in the planning and implementation process. Thus, when EQUITY-assisted health system components work in the focus province, they will be rapidly expanded to other provinces. This expansion will generally occur during Phase 2 (the final three years), and depending on the resources available to the other provinces -- beyond those available under the EQUITY Project -- the

expansion may or may not be complete in all of the other eight provinces. This project and program strategy is designed to ensure that the national PHC system is as fully institutionalized and sustainable as possible by the completion of USAID/SA assistance.

3. Desired Results: Program Outcomes (End Points)

Within the last year the GNU has begun the process of consolidating the fragmented health system, redistributing services in an equitable manner, and drastically changing health care priorities to ensure that integrated PHC, with its community orientation and focus on priority health interventions, can be achieved. However, there is a long way to go. The EQUITY Project will support the GNU's efforts and will contribute to the shared goal of equitable access to essential health care by all South Africans.

Strategic Objective 4 has six, major interrelated program outcomes. These are also critical endpoints for USAID/SA's assistance in the PHN sector, because together they represent the critical elements of the sustainable PHC delivery system that should be in place by the time our assistance ends in 2002. The six program outcomes are as follows.

PO4.1 Access to an Integrated Package of PHC Services in the Focus Province Has Been Increased

The EQUITY Project will support the GNU's efforts to increase access to PHC services through a series of activities that focus on three areas: (1) Assistance to planners and decision-makers at all levels to strengthen strategic planning, establish and prioritize major program outcomes, schedule and implement activities designed to improve access, and involve communities in decisions which affect them; (2) assistance where facilities are in place but where there are barriers to access; and (3) assistance for underserved areas where access to services is constrained by the lack of adequate health care points (HCPs).

USAID anticipates that the following will be achieved:

- By 1999, an integrated PHC service package will be effectively implemented in the focus province.
- By 2002, 80 percent of health care points in the focus province will be delivering an appropriate package of quality, integrated PHC services.
- By 2002, the integrated service package will be implemented in most if not all of the other eight provinces.

PO4.2 An Effective Referral System is Functioning In The Focus Province

The EQUITY Project will assist in developing and implementing an effective referral system among community, district, provincial and national levels. Lessons learned will be used in replicating the system in the other provinces.

USAID anticipates that the following will be achieved:

- By 1999, an effective referral system will be functioning in the focus province.
- By 2002, client visits to clinics and health centers in the focus province will increase by 10 percent as a result of the referral system.
- By 2002, effective referral systems will be functioning in most if not all of the other eight provinces.

**PO4.3 The Capacity to Manage the Integrated PHC Program Has
Been Enhanced at Central Level and in the Focus Province**

With an entirely new health system being put in place, a comprehensive health management program must be developed which can support the operationalization of this new system at all levels. The EQUITY Project will provide the support needed to strengthen management at all levels in the focus province and within the national DOH.

USAID anticipates that the following will be achieved:

- By 1999, improved management systems will be operating at all levels both in the central DOH and within the focus province.
- By 2002, improved management systems will be operating at all levels in most if not all of the other eight provinces.

**PO4.4 The Effectiveness and Efficiency of PHC Service Delivery
Has Been Increased at the Provincial Level and Below**

The GNU inherited a health care system and budget that reflected an emphasis on curative health services (especially at secondary and tertiary levels), and a system that placed little emphasis on accountability. The EQUITY Project will assist the GNU to reallocate resources, emphasize integrated PHC, and focus generally on more efficient use of available resources.

USAID anticipates that the following will be achieved:

- By 1999, the effectiveness and efficiency of PHC service delivery in the focus province will be increased.
- By 2002, the effectiveness and efficiency of PHC service delivery will be increased in most if not all of the other eight provinces.

PO4.5 The Capacity for PHC Training has been Institutionalized

The EQUITY Project will provide technical assistance and other resources to provinces and districts, as well as to relevant training institutions, in the following three areas: (1) strengthening and expanding the existing capacity for PHC in-service training, (2) refocusing basic (pre-service) education programs to emphasize PHC philosophy and content, and (3) institutionalizing these changes in both education and training programs to ensure long-term sustainability.

USAID anticipates that the following will be achieved:

- By 1999, PHC training capacity will be institutionalized in the focus province.
- By 2002, PHC training capacity will be institutionalized in most if not all of the other eight provinces.

PO4.6 The Information Base for Policy-making, Program Development and Management Has Been Improved

To carry out the restructuring of the national health system effectively, and to facilitate the most appropriate and cost-effective reallocation of financial and other resources, good information is required. The EQUITY Project will support the development of a comprehensive information system (including baseline data) which can provide the kinds of information analyses needed for effective health system planning, management, and evaluation at the provincial level.

USAID anticipates that the following will be achieved:

- By 1999, an effective health information system will be operating in the focus province, and will be used both for policy, planning and programmatic decisions and for program monitoring.
- By 2002, an effective health information system will be operating and will be used in most if not all of the other eight provinces.

Notwithstanding these end points at the program outcome level, two major indicators will signify project success. First, the lessons learned at the provincial level -- both in the focus province and others -- are being shared and used among the provinces to restructure the health care system. Second, the sum total of project outputs will have resulted in a system -- sustainable using only nationally generated resources -- that is delivering an appropriate package of PHC services at every level of the system. If these two overarching outcomes have been accomplished, then SO #4 will have been achieved.

As already described, the strategy of the EQUITY Project is systems development, not

service delivery. Thus, the end points relate to accomplishments in establishing and strengthening health system elements. The outcome of these system improvements will be increased use of PHC services, and the eventual outcome of that increased use will be improvement in health status (e.g., lower infant and child mortality, increased life expectancy). However, since this increased use will not occur until late in the project life, we do not expect major health status improvements by the project completion date. On the other hand, such improvements are expected in subsequent years, and have been factored into the assessment of cost-effectiveness within the economic analysis for the project.

VII. RESOURCE REQUIREMENTS

USAID/South Africa has presented a program which it believes will substantially help South Africa to solidly position itself for sustainable development. The outcomes established are based upon several assumptions, the most pertinent of which is continued support from the U.S. Government via the provision of adequate resources to carry out this plan.

A. Program Resource Requirements

1. Scenario 1: Full Funding Option (DFA Only)

In earlier discussions with USAID/W, the Mission was provided with high and low funding scenarios to use in developing this strategy. The Mission has "costed-out" the components of its Development Fund for Africa (DFA) program proposed above and found that cost to lie between the options provided for out-year funding. We now are much more certain about what will be needed to complete a comprehensive, sustainable development assistance program in South Africa which is limited in duration, rational in cost and high in impact. To fully carry out its plan of assisting South Africa's transformation, the Mission envisions a program beginning in FY 96, of 10 years duration with funding over 8 years as depicted in Table 1 below²:

Table 1: Full Funding Option (DFA Only)
(\$ Millions)

SOs	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04-05*	TOTAL 96-05
SO 1	24.5	25.7	25.7	25.0	22.6	23.2	20.2	14.8	—	181.7
SO 2	44.0	25.8	16.7	11.2	16.1	16.8	9.8	5.2	—	145.6
SO 3	40.9	38.2	27.3	13.2	10.1	—	—	—	—	129.7
SO 4	10.8	10.2	10.2	10.6	1.2	—	—	—	—	43.0
TOTAL	120.2	99.9	79.9	60.0	50.0	40.0	30.0	20.0	(1.0)	500.0

* FY 04 and 05 are estimated closeout costs

² DFA funds are used in conjunction with HG funds to leverage private resources for development.

This strategy relies on fully funding the remaining balance of the Administration's pledge to South Africa in FY 1996 and relatively high funding for the subsequent two years with a significant tapering off of funding thereafter. This is important to allow projects which are now entering full implementation to achieve full impact and to allow newly relevant areas such as health and trade and investment (to complement the efforts under the Southern African Enterprise Development Fund) to get underway. Under this scenario, the Mission will be able to complete the comprehensive program presented in this strategy, leaving behind sustainable, democratic institutions, an integrated educational system, a stronger, more participatory economy and a unified, cost-effective health system. In its final phase, the Mission would endow institutions that are critical for the longer-term, equitable development of South Africa.

2. Scenario 2: Low Funding Option (DFA Only)

The Mission is cognizant of the extreme budget pressures that USAID as a whole faces and has worked through a second scenario (Table 2) which, consistent with current legislation being considered and the FY 96 Action Plan guidance, applies a reduced time frame and budget. Although we have strong confidence in the determination of the GNU and the people of South Africa to fulfill their development goals, an early phase-out of USAID assistance in South Africa would have adverse effects on South Africa's transformation to sustainable development.

Table 2: Low Funding Option (DFA Only)
(\$ Millions)

SOs	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02-03*	TOTAL 96-03
SO 1	24.5	25.7	25.7	24.3	25.7	24.8	--	150.7
SO 2	44.0	19.8	16.7	11.0	14.3	5.2	--	111.0
SO 3	40.8	24.2	17.3	13.1	--	--	--	95.4
SO 4	10.7	10.2	10.2	11.6	--	--	--	42.7
TOTAL	120.0	80.0	70.0	60.0	40.0	30.0	(1.0)	400.0

* FY 02 and 03 are estimated closeout costs.

Figure 2 is a graphical presentation of the two funding options.

Figure 2: Funding Options (DFA Only)

B. Adverse Effects of Low Funding Option

The low funding option described above will have considerable negative impacts on the Mission's ability to substantially impact on the goal of sustainable transformation. Below is a summary of the anticipated negative impacts on our ability to attain the specific program outcomes identified under each strategic objective. Attachment 2 itemizes program outcomes/end points by strategic objective, and clearly indicates those end points which would either not be attained or substantially reduced as a result of applying Scenario 2: Low Option.

Prior to noting the negative impacts by strategic objective, we must recognize that the low option will have several potential negative impacts beyond the direct impact on the Mission's program. First, a sharp reduction in U.S. economic assistance to South Africa will likely serve as a beacon to other international donors to follow suit in the same manner in which major increases in USAID support following the 1994 election helped to prompt other donors to similarly increase their aid. This likelihood should not be discounted as USAID has, from many perspectives, consistently been a leader in South Africa within the international donor community. For FY 94, USAID was the second largest international donor in South Africa, following the EU.

Second, given the extent to which our program, and those of other donors, is integral to the RDP, a likely cumulative, sharp decline in donor resources for South Africa will slow down and put at risk the country's ability to meet the pent-up needs and expectations of the majority population. Again, this likelihood should not be discounted as donor funding represents a considerable contribution to the net investment (non-recurrent) resources available for the RDP. This will continue to be true until South Africa completes, over the medium-term, the process of restructuring the government budget, in particular, and, over a longer-term, realigning the priorities of the economy, in general, to the RDP. For this very reason, the GNU is aggressively working with the entire donor community to develop what may become a model for other aid recipient countries, to ensure integration of donor programs with government priorities.

Third, a significant decline in USAID (and other donor) assistance to South Africa will definitely lead to sharper competition between the GNU and the NGO community for donor resources. In FY 94-96, the substantial expansion in the USAID program effectively enables us to continue our broad support to the all-important NGO community while concurrently providing considerable government-to-government assistance. An integral part of our strategy is to seek to build bridges, where appropriate, between the GNU at the national, provincial and municipal levels, and the NGO community. Our objective here is to build on key, successful NGO programs which we have supported. A sharp decline in USAID funding for South Africa will put at risk this important element of our strategy.

Fourth, a major decrease in USAID funding for South Africa will practically eliminate a hallmark of our program -- the *flexibility* which a sizeable program has enabled us to have in responding rapidly and creatively to very fluid, evolving situations on the ground. The low

funding option will mean concentrating available resources to meet program mortgages and shutting the doors to our ability to provide catalytic, problem-solving assistance.

Fifth, across the portfolio, the low funding option will put at risk the Mission's ability to ensure institutionalization for the long-term sustainability of positive results. This is very important. The U.S. has consistently increased its assistance to South Africa since 1986, recognizing the importance of "making the investment" in not only bringing about change, but ensuring that this change is sustainable. In comparison to the total level of our official ODA investment since 1986, the difference between the two funding scenarios is a small, but important investment to make to help solidify the gains which we, the South Africans and the world community will have achieved by the turn of the century. The Mission will examine with all of the key role players in South Africa, what effective strategies and mechanisms can and should be applied to achieve this objective. This will include Housing Guarantys and endowments, where appropriate, to leverage domestic and international resources to leave behind select, sustainable institutions.

Following is a summary of the anticipated negative impacts on our ability to attain the specific program outcomes identified under each strategic objective. The greatest loss under Scenario 2 would be that of institutionalization for long-term sustainability of results. In addition, there would be no possibility of leaving behind select, sustainable institutions through an endowment program. Specific negative impacts, by strategic objective, of the Low Funding Option resource scenario upon the Mission's program are presented below. Attachment 2 presents program options/end points by strategic objective and includes clear indications, where possible, of those end points which would not be attained or would be substantially reduced as a result of applying Scenario 2: Low Funding Option.

SO 1. To Help Consolidate Sustainable Democratic Governance

--Capacity building in civil society to create a counterbalance/watchdog to the government which is able to analyze and disseminate information and perform a monitoring function will only be partial. This calls into question the long-term sustainability of these groups.

--Funding for non-formal democracy education programs, such as "street law", which have proven effective in protecting the rights of the poor and particularly the "marginalized youth" would not be continued. These programs have long relied on donor funding and while they have begun to design sustainability plans, they would not be able to provide services to the extent that they have. These groups protect the most vulnerable to human rights abuse and those that cannot afford, or do not know how, to access the legal system.

--This would result in slower transformation of the public service to improve RDP delivery and restrict the role of universities in public service training (leaving training more in central government hands).

SO 2. Support the Development of Policies, Systems, and Capacities for the Integration of the Education System

--While policies would have been established to manage education services, the human resource capacity will have been strengthened in only two of the planned four provinces. Without trained personnel, reforms and policies being developed to create a truly open education system will be delayed in implementation. With one generation having been severely disadvantaged due to dissatisfaction with the educational system, and the importance that primary education plays in economic productivity, education reform is something South Africa can ill afford to lose.

--Pre-testing and dissemination of new curricula and education models will not be completed.

--Community colleges, an avenue just being developed to assist those that desire further education, either to improve their job opportunities or to allow them to go on to university, are just now being instituted. The response to this intermediary measure has been encouraging. With reduced time and money, only such colleges in one province, vice three, could be made operational.

--Centers of excellence located in historically disadvantaged institutions of tertiary education are planned to address critical development needs of South Africa. This effort will be seriously curtailed by the lack of time to develop these institutions. The center for governance would not be attempted.

SO 3. To Help Increase Opportunities for Access and Ownership of Assets by Historically Disadvantaged while Supporting Overall Economic Growth and Development

--Limited time and funds would restrict our interventions with private sector organizations designed to give voice to this constituency in policy areas. Only one would be chosen rather than several.

--Likewise, only one business chamber would be strengthened to provide assistance to historically disadvantaged South Africans. This will seriously weaken the impact of the recently launched affirmative procurement programs.

--Trade and investment activities designed to complement the Enterprise Fund and take advantage of South Africa's renewed world status would be very limited. The new activity planned for FY 97 would not be started.

SO 4. To Support the Development of a Unified System to Provide Integrated Primary Health Care Services to Underserved Populations

--Low funding level will have no effect on SO 4.

C. Support Resources

In order to implement either of the above scenarios, USAID/South Africa will require, at least in the short-term, continued total staff resources equal to or slightly greater than present levels. However, this cannot be accomplished while operating expense (OE) resources are simultaneously being reduced disproportionately to the Mission's program. Planned OE levels have decreased despite the doubling of the USAID program and the additional focus of working with the new GNU.

As described in more detail in the companion Action Plan document, USAID/South Africa has worked effectively to restrain the growth of our overhead costs, especially OE costs, whenever that is realistic. We believe that we have identified creative approaches to fund the support needs that are directly related to attainment of results. This year we have already begun to plan ways that program funds can legitimately be used to pay for the overhead support required to achieve our strategic objectives, and to identify further ways to economize on OE resource expenditures. Our assumption is that, in either the high or low option, the total workforce levels cannot be reduced, in the short-term, below the FY 95 workforce levels. We have changed fund sources for as much of the work force as is legally possible, and we have levied charges to projects for overhead that were, until June 1995, funded from the OE appropriation accounts. In addition, the Mission has elected to reduce our Direct Hire FSN FTEs in FY 96 and 97 from 4 to 3 in each year. We will continue to explore ways to replace the USDH positions with program-funded FSN or dependent PSC contractor personnel.

These efforts do not mean that the Mission's overall support needs have been reduced. It does mean that we have aggressively and successfully changed the way we deliver and the way we charge for indirect program delivery costs. The true support needs for the Mission in FY 96 significantly exceed the FY 95 levels of \$5.6 million. Staffing levels must be maintained. FSN salary levels in South Africa are among the highest in the world for a USAID Mission and the costs to support that staff are known to be escalating in FY 96 and FY 97.

USAID/South Africa's program has been documented as successful in part because of its delivery mechanisms emphasizing extensive participation of and consultation with community-based organizations across South Africa. Furthermore, this same participatory implementation style is at the very core of the newly-introduced New Participation Initiative. Even though the Mission is now legally permitted to work with the GNU, and is developing several bilateral agreements, government structures and implementation capacities are weak. The nature of our strategic objectives dictate that attainment of the desired results will require the Mission to continue utilizing grant mechanisms in tandem with expanded use of bilateral and umbrella delivery mechanisms. This multiplies enormously the number of

transactions which USAID staff need to manage.

The dual capitals of South Africa, Cape Town and Pretoria, and program implementation needs of national programs, dictate that management as well as project staff need to travel fairly constantly. In fact, we were advised in a recent Mission Management Assessment and project audits that more monitoring is needed, which, in a country as large as South Africa, requires extensive and frequently overnight/air travel. Johannesburg is the commercial hub of the nation which hosts many of our grantees and counterparts. This means that the vehicle fleet is in perpetual motion between Pretoria and Johannesburg. In addition, there is a constant stream of official, international visitors coming to South Africa or transiting to elsewhere in the Southern Africa region for whom we are responsible. This will further increase as the Binational Commission increases its activities.

USAID/South Africa's ability to deliver the desired end results is heavily dependent, therefore, on USAID/W's approval of adequate OE support resources, or approval by Washington to increasingly charge expenses that were previously OE to program/project funding. We would like to work with USAID/W on some possibilities of achieving further reductions in OE costs.

We believe our program has become much tighter, with strategic objectives so strong and so achievable that USAID/Washington should not allow OE budget constraints to force us into cutting from interrelated strategic objectives. Furthermore, we have done our part within the world-wide management team to pare down our overhead costs wherever that is realistic and are offering creative approaches to funding the support needs directly related to attainment of our strategic objectives. This Concept Paper, and the accompanying Action Plan, has identified a well-defined program which will accomplish a series of program outcomes which are important to the U.S. Government and the people of South Africa. That program requires adequate resources for implementation -- we need the workforce levels that we have requested and we need Washington support to assure that OE levels will continue to enable us to achieve our strategic targets.

VIII. CONCLUSION

USAID/South Africa's program has changed dramatically since the 1994 elections and even more so since two years ago. The Mission has, over the past three months, refined its objectives and is well on the way to defining a comprehensive program which will achieve our goal of **sustainable transformation**. In doing so, we have selected areas in which USAID's comparative advantage supports the RDP and complements other donors' involvement. It is our intention to continue to use a participatory implementation style, much like that we have been using, because it is consistent with Agency guidance (i.e., the NPI), has proven effective and meshes well with the South African consultative traditions. We believe that this maximizes our opportunity for success.

This paper defines a series of end points which we believe can realistically be achieved in South Africa. The Mission requests USAID/W's approval of Scenario 1, Full Funding Option, and of commensurate operating expense funding and staffing levels to proceed with the full development of this strategy. What we have defined is optimal. However, the Mission is fully aware of the continuing budget discussions and could well imagine several options between the presented options. We encourage and anticipate a thorough vetting of the issues with Washington which will provide the basis for clear and timely guidance on finalizing our Country Program Strategic Plan.

GOAL: SUSTAINABLE TRANSFORMATION

STRATEGIC OBJECTIVE 1: POLITICAL, ECONOMIC, AND SOCIAL EMPOWERMENT

STRATEGIC OBJECTIVE 1
To support the development of a united system to provide integrated primary health care in underserved populations

- 1.1 Capacity for free and fair elections institutionalized
 - permanent IEC established
 - "rolling" national voter registration in place
 - NGO participation in electoral administration and monitoring institutionalized
 - registration in 1999 will be free and representative

- 1.2 Capacity of political parties strengthened
 - institutionalized training capacity for party building and parliamentary procedures established
 - political parties play more effective role in parliament
 - political parties demonstrate increased capacity in 1999 to conduct issue based campaigns with constituent input

- 1.3 Access to justice systems by the underserved majority increased
 - critical mass of black professionals and training programs in place
 - System of advice centers recognized by Ministry of Justice
 - Specific legal reforms affecting access (fee structure) and equity (women's rights and juvenile justice) enacted

- 1.4 Respect for human rights reflected in the constitution
 - constitution and bill of rights containing meaningful protection and rights of women enacted

STRATEGIC OBJECTIVE 2
To support the development of policies, systems, and capacities for the integration of the education system

- 2.1 Establishment of systems to manage national and provincial education services assisted
 - policies to define central vs provincial responsibilities established and implemented
 - system for program performance planning established
 - human resource capacity (at central and 4 provinces) to implement policy reform dev

- 2.2 National and provincial systems for basic education strengthened
 - national basic education systems transformed
 - national norms and accreditation and certification standards in critical areas (adult basic education, literacy and numeracy, curricular and testing standards, and teacher qualifications) established
 - national framework for provincial delivery of revised curricula for adults established
 - system of impact evaluation established

- 2.3 Proven basic education models disseminated
 - pre-tested distance education models and curricula taken to scale
 - proven and effective models in Math, Science, English, and early childhood development disseminated

- 2.4 Systems and institutions for further education (beyond high school but below university or technical) improved
 - blueprint for the transformation of Further Education
 - national plan for community college system approved
 - community colleges in 3 provinces operational
 - network for career guidance functioning

STRATEGIC OBJECTIVE 3
To help increase opportunities for access and ownership of assets by historically disadvantaged while supporting economic development

- 3.1 Quality of public debate on economic policy issues improved thru functioning economic policy forums on economic growth issues
 - role of public sector planning in a decentralized market economy and on improving international competitiveness
 - sustainable independent economic think tank
 - ICDI center of excellence in economic policy strengthened
 - South Africa graduates in economics

- 3.2 Quality of public debate improved thru functioning policy forums on policy and regulatory constraints to increased ownership of businesses by historically disadvantaged
 - Business organizations strengthened and actively involved in representing the interests of private businesses

- 3.3 Quality of public debate improved thru functioning policy forums on ways to maximize the role of the private sector in providing shelter and environment urban services
 - policy dialogue on the role of the private sector in providing shelter for low income families
 - organizations representing owners of houses and providers of shelter and related urban services strengthened to better represent their constituents

- 3.4 Access in capital for expanded ownership of business by historically disadvantaged increased thru strengthened financing mechanisms and new structures to expand ownership
 - micro and small enterprises accessing commercial credit based on USAID loan guaranty fund
 - small/medium enterprises accessing capital thru new advisory services from USAID regional and international enterprise funds
 - Employee Stock Ownership Plans to broaden ownership introduced

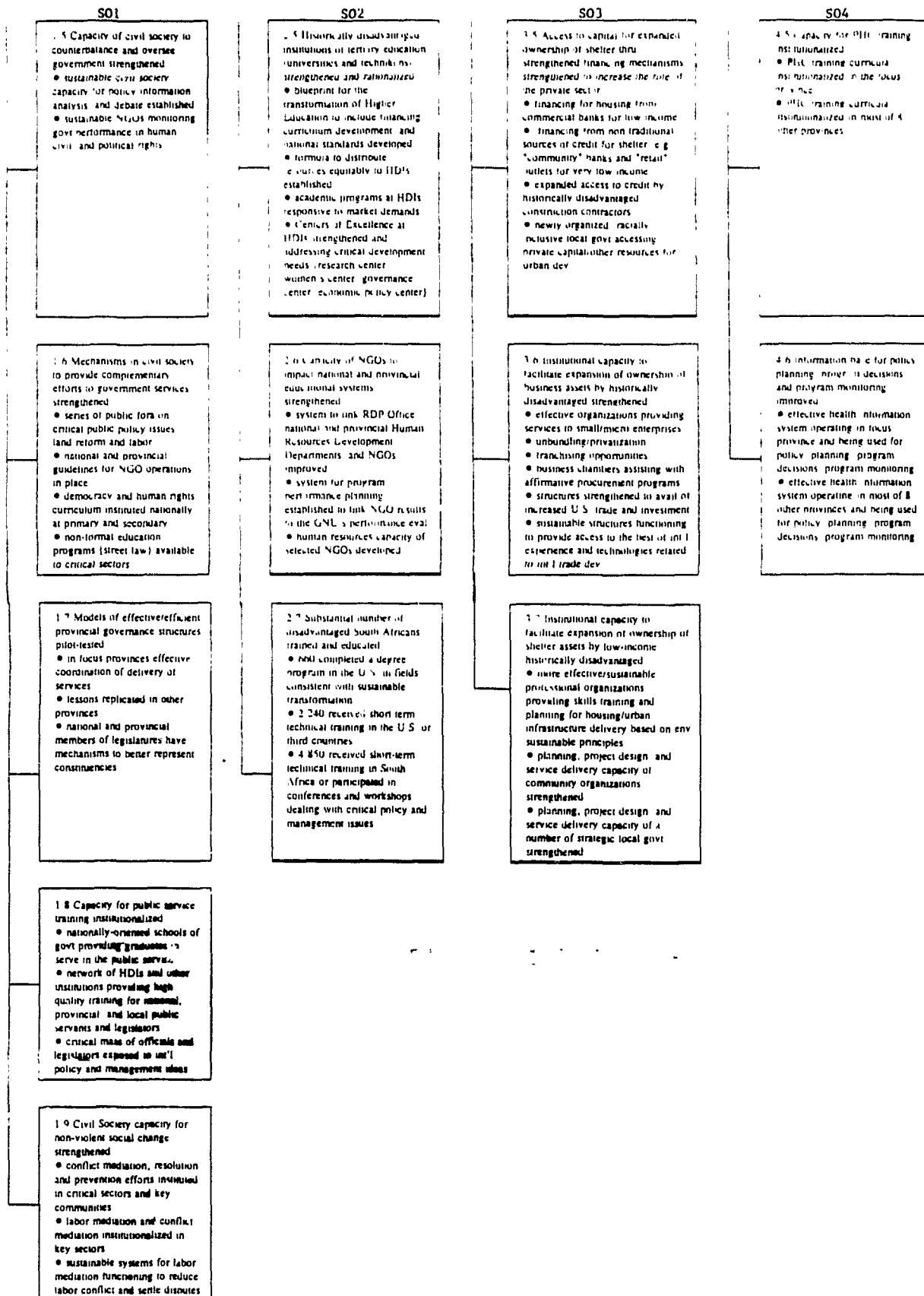
STRATEGIC OBJECTIVE 4
To support the development of a united system to provide integrated primary health care in underserved populations

- 4.1 Access to and use of integrated package of primary health care increased
 - an integrated PHIC service package implemented in focus province
 - 80% of HCPs delivering an appropriate package of quality integrated PHIC services
 - in integrated PHIC service implemented in most of 8 other provinces

- 4.2 Referral system utilized in focus province
 - effective referral system functioning in focus province
 - 10% increase in client visits to clinics and health centers in focus province
 - effective referral systems functioning in most of 8 other provinces

- 4.3 Capacity to manage the integrated PHIC program at central level and focus province enhanced
 - improved management systems operating at all levels both in central DOH and within focus province
 - improved management systems operating at all levels in most of 8 other provinces

- 4.4 Effectiveness and efficiency of PHIC services increased
 - effectiveness and efficiency of PHIC service delivery in focus province increased
 - effectiveness and efficiency of PHIC service delivery in most of 8 other provinces increased



PROGRAM OUTCOMES (END POINTS) BY STRATEGIC OBJECTIVES
(including indications, where possible, of those program outcomes
which would not be attained or would be substantially reduced as a result of
applying Scenario #2: Low Funding Option)

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STRATEGIC OBJECTIVE #1 (SO 1): TO HELP CONSOLIDATE SUSTAINABLE DEMOCRATIC GOVERNANCE

PROGRAM OUTCOMES (Conditions that indicate program outcomes have been achieved)	Timeframe
1.1 Capacity for free and fair elections institutionalized	
<ul style="list-style-type: none"> • A permanent independent electoral commission established. 	2002
<ul style="list-style-type: none"> • A "rolling" national voter registration will be in place. 	2002
<ul style="list-style-type: none"> • NGO participation in electoral administration and monitoring institutionalized. 	2002
<ul style="list-style-type: none"> • Registration and participation in the 1999 elections will be high and represent all disadvantaged groups. 	1999
1.2 Capacity of political parties to participate peacefully in political processes strengthened	
<ul style="list-style-type: none"> • Institutionalized training capacity for party building and parliamentary responsibilities established. 	2000
<ul style="list-style-type: none"> • Disadvantaged political parties play more effective role in parliament. 	2001
<ul style="list-style-type: none"> • Political parties demonstrate increased capacity in 1999 elections to conduct issue-based campaigns which indicate constituent input. 	2000
1.3 Access to justice system increased	
<ul style="list-style-type: none"> • A critical mass of black professionals and training programs in place. 	1999
<ul style="list-style-type: none"> • A functioning Ministry of Justice-recognized system of advice centers/paralegal services providing legal assistance to the poor. 	1999
<ul style="list-style-type: none"> • Specific legal reforms affecting access (i.e. fee structure) and equity (i.e., women's rights and juvenile justice) enacted. 	1999
1.4 Respect for human rights reflected in new constitution	
<ul style="list-style-type: none"> • A constitution and bill of rights containing meaningful protection for human rights and the rights of women enacted. 	1997
1.5 Capacity of civil society to counterbalance and oversee government strengthened	
<ul style="list-style-type: none"> • Sustainable capacity for policy information, analysis and debate established outside the government. 	2003 *
<ul style="list-style-type: none"> • Sustainable non-governmental groups to monitor governmental performance in human, civil and political rights. 	2003 *
1.6 Mechanisms in civil society to provide complementary efforts to government strengthened	
<ul style="list-style-type: none"> • A series of public fora and continued dialogue on critical public policy issues, including land reform and labor are institutionalized. 	2003 *
<ul style="list-style-type: none"> • National and provincial guidelines for NGO operations in place. 	2002 *
<ul style="list-style-type: none"> • Democracy and human rights instituted nationally as a compulsory subject at the primary and secondary levels. 	2000
<ul style="list-style-type: none"> • Sustainable programs of non-formal democracy education available such as "street law" available to critical sectors, including out of school youth. 	2002 **
1.7 Models of effective/efficient provincial government structures pilot-tested	
<ul style="list-style-type: none"> • In focus provinces, effective government delivery of services, civil services responsive to RDP priorities, effective community involvement in delivery of services, and NGOs cooperating with government in service delivery. 	2002 *
<ul style="list-style-type: none"> • Lessons of focus provinces replicated in other provinces. 	2002 *
<ul style="list-style-type: none"> • National and provincial members of legislatures have mechanism to better represent constituencies. 	1999
1.8 Capacity for public service training institutionalized	
<ul style="list-style-type: none"> • Nationally oriented schools of government in place providing graduates to serve in the public service. 	2005 *
<ul style="list-style-type: none"> • A network of HDIs and other institutions providing high quality training for national, provincial and local public servants and legislators. 	2005 **
<ul style="list-style-type: none"> • Critical mass of South African officials and legislators exposed to new policy and management ideas. 	2001 *
1.9 Civil society capacity for non-violent social change strengthened	
<ul style="list-style-type: none"> • Conflict mediation, resolution, and prevention efforts instituted in critical sectors and key communities. 	2003 *
<ul style="list-style-type: none"> • Labor mediation and conflict mediation efforts institutionalized in key sectors. 	1999
<ul style="list-style-type: none"> • Sustainable systems for labor mediation functioning to reduce labor conflict and settle disputes. 	2000

* Partial reduction under the low funding option

** Eliminated under the low funding option

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STRATEGIC OBJECTIVE #2 (SO 2): TO SUPPORT THE DEVELOPMENT OF POLICIES, SYSTEMS, AND CAPACITIES FOR THE INTEGRATION OF THE EDUCATION SYSTEM

PROGRAM OUTCOMES (Conditions that indicate program outcomes have been achieved)	Timeframe
2.1 Establishment of systems to manage national and provincial education services assisted	
<ul style="list-style-type: none"> • Policies to define national vs provincial responsibilities established and implemented. • System for program performance planning established. • Human resource capacity at national and 4 provinces to implement policy reform developed. 	1998 1998 1998 *
2.2 National and provincial systems for basic education strengthened	
<ul style="list-style-type: none"> • National basic education systems transformed. • National norms and accreditation and certification standards established in critical areas such as adult basic education, literacy and numeracy, teacher qualifications, and curricular and testing standards. • A national framework for the provincial delivery of revised curriculum for adults established. • System of impact evaluation established. 	1999 1999 1997 1997
2.3 Proven basic education models disseminated	
<ul style="list-style-type: none"> • Pre tested distance education models and curricula are disseminated nationally. • Proven and effective models in Maths, Science, Early Childhood Development and English disseminated. 	1998 * 1998 *
2.4 Systems and institutions for further education (beyond high school but below university or technikon) improved	
<ul style="list-style-type: none"> • Blueprint for the transformation of Further Education to include financing, curricular development, and national standards developed. • National plan for community college system approved. • Community colleges operational in 3 provinces. • A national outreach network for career guidance and student and community support is functioning. 	1997 1999 1999 * 1999 *
2.5 Historically disadvantaged institutions of tertiary education (universities and technikons) strengthened and rationalized	
<ul style="list-style-type: none"> • Blueprint for the transition of Higher Education to include financing, curricular development and national standards developed. • Formula to distribute resources equitably to HDIs established. • Academic programs at HDIs responsive to market demands. • Centers of Excellence at HDIs strengthened and are addressing critical developmental needs (e.g., research center, women's center, student support center, economic policy center). 	1997 1997 1997 2000 *
2.6 Capacity of NGOs to impact national and provincial education systems strengthened	
<ul style="list-style-type: none"> • System to link RDP Office, national and provincial Human Resources Development Departments, and NGOs improved. • System for program performance planning established to link NGO results to the GNU's performance evaluation. • Human resources capacity of selected NGOs developed. 	1997 1997 2004 *
2.7 Substantial number of disadvantaged South Africans trained and educated	
<ul style="list-style-type: none"> • 660 disadvantaged South Africans have completed a degree program in the United States, with academic focus in fields critical to South Africa's development. • 2,210 disadvantaged South Africans have received short term technical training in the U.S. or third countries. • 4,850 disadvantaged South Africans have received short term technical training in South Africa, or have participated in conferences and workshops dealing with critical policy and management issues in development. 	2000 2004 * 2004 *

* Partial reduction under the low funding option.

STRATEGIC OBJECTIVE #3 (SO 3): TO INCREASE OPPORTUNITIES FOR ACCESS TO AND OWNERSHIP OF ASSETS BY HISTORICALLY DISADVANTAGED SOUTH AFRICANS WHILE SUPPORTING THE NECESSARY OVERALL ECONOMIC DEVELOPMENT TO MAKE THIS POSSIBLE

PROGRAM OUTCOMES (Conditions that indicate program outcomes have been achieved)	Timeframe
3.1 Quality of public debate on economic policy issues improved through functioning economic policy forums involving the business community, labor, and government actively addressing economic growth issues	<div> <div>• Policy dialogue underway on the limited and appropriate role of public sector planning in a decentralized market economy and on improving South Africa's international competitiveness.</div> <div>• Policy dialogue benefiting from the input of a sustainable, independent economic think tank.</div> <div>• Policy dialogue benefiting from the participation of the graduates of HDI center of excellence in economic policy.</div> <div>• Policy dialogue benefiting from the participation of at least 10 historically disadvantaged South Africans with graduate degrees in economics with policy orientation from U.S. universities.</div> </div> <div>1996</div> <div>1997</div> <div>2000</div> <div>2004 *</div>
3.2 Quality of public debate on economic policy issues improved through functioning policy forums actively addressing policy and regulatory constraints to increased ownership of businesses by historically disadvantaged South Africans	
• Business organizations strengthened and actively involved in representing the interests of private businesses.	
3.3 Quality of public debate on economic policy issues improved through functioning policy forums actively addressing ways of maximizing the role of the private sector in providing shelter and environmentally sound urban services for low-income, historically disadvantaged South Africans	
<div>• Policy dialogue on the role of the private sector in providing shelter for low-income families benefiting from the experience of USAID/South Africa programs in this area.</div> <div>• Organizations representing owners of houses as well as providers of shelter and related urban services strengthened and better representing the interests of their constituents.</div>	1997
	1998
3.4 Access to capital for expanded ownership of business by historically disadvantaged South Africans increased thru strengthened financing mechanisms and new structures for expanding ownership	<div>• Micro/small enterprises accessing commercial credit based on mechanisms by USAID loan guaranty facilities.</div> <div>• Small and medium enterprises accessing capital with the assistance of new advisory services initiated by USAID from regional and international enterprise funds.</div> <div>• Employee Stock Ownership Plans introduced as a means to broaden ownership.</div>
3.5 Access to capital for expanded ownership of shelter by historically disadvantaged South Africans increased thru strengthened financing mechanisms focusing on the role of the private sector in providing shelter and environmentally sound urban services for low-income families	<div>• Low income families availing of both short and long term financing for housing from commercial banks.</div> <div>• Very low income families availing of financing from non-traditional sources of credit for shelter, including "community" banks and other "retail" outlets.</div> <div>• Expanded access to construction credit by contractors from the historically disadvantaged community.</div> <div>• Newly organized, racially inclusive local govts accessing private capital and other resources for urban development.</div>
3.6 Institutional capacity to facilitate expansion of ownership of business assets by historically disadvantaged strengthened	<div>• A limited number of sustainable and more effective organizations providing services to small and micro enterprises.</div> <div>• Structures functioning that provide the benefits of unbundling and privatization to historically disadvantaged.</div> <div>• Sustainable structures in place to assist historically disadvantaged avail of opportunities resulting from franchising.</div> <div>• Business chambers assisting enterprise owned by historically disadvantaged South Africans in responding to affirmative procurement programs.</div> <div>• Structures strengthened that permit historically disadvantaged to avail of increased U.S. trade and investment.</div> <div>• Sustainable structures functioning that provide disadvantaged South Africans with access to the best of international experience and technologies related to international trade development.</div>
3.7 Institutional capacity to facilitate expansion of ownership of shelter by historically disadvantaged strengthened	<div>• A limited number of more effective and sustainable professional organizations providing skills training and planning for housing and urban infrastructure delivery based on environmentally sustainable principles.</div> <div>• Planning, project design, and capacity for service delivery of community organizations strengthened.</div> <div>• Planning, project design, and implementation capacity for service delivery of a limited number of strategic local governments strengthened.</div>

* Partial reduction under low funding option

STRATEGIC OBJECTIVE #4 (SO 4): SUPPORT THE DEVELOPMENT OF A UNIFIED SYSTEM TO PROVIDE INTEGRATED PRIMARY HEALTH CARE SERVICES TO UNDERSERVED POPULATIONS

PROGRAM OUTCOMES (Conditions that indicate program outcomes have been achieved)	Timeframe
4.1 Access to an integrated package of PHC services in the focus province has been increased	
<ul style="list-style-type: none"> • An integrated PHC service package will be effectively implemented in the focus province. • 80 percent of health care points in the focus province will be delivering an appropriate package of quality, integrated PHC services. • The integrated service package will be implemented in most if not all of the other eight provinces. 	1999 2002 2002 *
4.2 An effective referral system is functioning in the focus province	
<ul style="list-style-type: none"> • By 1999, an effective referral system will be functioning in the focus province. • Client visits to clinics and health centers in the focus province will increase by 10 percent as a result of the referral system. • Effective referral systems will be functioning in most if not all of the other eight provinces. 	1999 2002 2002 *
4.3 The capacity to manage the integrated PHC program has been enhanced at central level and in the focus province	
<ul style="list-style-type: none"> • Improved management systems will be operating at all levels both in the central DOH and within the focus province. • Improved management systems will be operating at all levels in most if not all of the other eight provinces. 	1999 2002 *
4.4 The effectiveness and efficiency of PHC service delivery has been increased at the provincial level and below	
<ul style="list-style-type: none"> • The effectiveness and efficiency of PHC service delivery in the focus province will be increased. • The effectiveness and efficiency of PHC service delivery will be increased in most if not all of the other eight provinces. 	1999 2002 *
4.5 The capacity for PHC training has been institutionalized	
<ul style="list-style-type: none"> • PHC training capacity will be institutionalized in the focus province. • PHC training capacity will be institutionalized in most if not all of the other eight provinces. 	1999 2002 *
4.6 The information base for policy-making, program development and management has been improved	
<ul style="list-style-type: none"> • An effective health information system will be operating in the focus province, and will be used both for policy, planning and programmatic decisions and for program monitoring. • An effective health information system will be operating and will be used in most if not all of the other eight provinces. 	1999 2002 *

*Partial reduction under the low funding option

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